

Soaring for Excellence

COMPREHENSIVE
ANNUAL FINANCIAL
REPORT
CITY OF DESOTO, TEXAS



FOR THE YEAR ENDED SEPTEMBER 30, 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2011

Prepared by the

CITY OF DESOTO

FINANCE DEPARTMENT

Edena J. Atmore, CPA Managing Director

CITY COUNCIL

Carl O. Sherman, Mayor

Denise Valentine, Mayor Pro-Tem James Zander, Council Member

Sandy Respess, Council Member Deshaundra Lockhart, Council Member

Patricia Ledbetter, Council Member Jerry Edgin, Council Member

CITY MANAGER

Tarron Richardson, Ph.D



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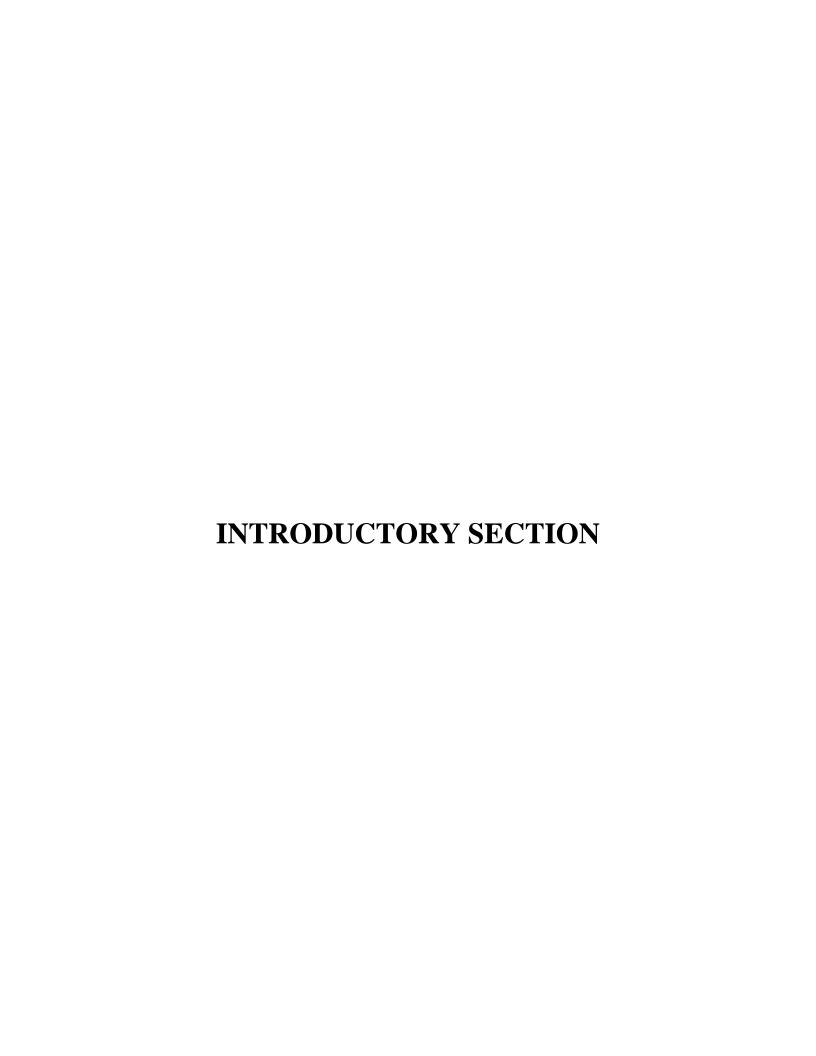
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March 28, 2012

To the Citizens of the City of DeSoto, Texas

State law requires that every municipality publish within six (6) months of the close of each fiscal year a complete set of audited financial statements, to include the auditor's opinion on the statements. This report is published to fulfill that requirement for the fiscal year that ended Thursday, September 30, 2011.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Pattillo, Brown & Hill, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Desoto's financial statements for the year that ended Thursday, September 30, 2011. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with the aforesaid document.

Profile

Located in the Best Southwest portion of Dallas County, the City of DeSoto is situated just minutes from downtown Dallas. Bordering I-35 on its eastern border and Highway 67 on its northern boundary, the City covers approximately 21 square miles. The City serves an estimated 2011 population of 49,047. The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, and is a home-rule city operating under a Council/Manager form of government. The Council is comprised of the Mayor and six Council members, who enact local legislation, adopt budgets, determine policies, and appoint the City secretary, City attorney and Judge of the municipal court. The City Manager, appointed by City Council, is the chief administrative officer for the City and is responsible for the daily management of the City. Major services provided under general government and enterprise functions are: public safety (police and fire protection), emergency ambulance services, construction and maintenance of streets, water and sewer services, parks and recreation, library services and general administrative services.

Accounting System and Budgetary Control

One of the objectives of the City's financial accounting system is to provide adequate internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's enterprise activities are maintained on the accrual basis.

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities.

<u>Budgetary Controls</u> – The objective of the budgetary controls maintained by the City is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, water and sewer fund, and all other funds are included in the annual budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established by departments within the individual fund. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

<u>Cash Management</u> – Cash temporarily idle during the year was invested in demand deposits and public fund investment pools. Yields during the year ranged from .16% to .26%. The City earned interest of \$121,089 on all investments for the year that ended Friday, September 30, 2011.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City's investment strategies include using cash flow analysis to purchase securities. This practice lessens the impact which rising interest rates have on the valuation changes of the portfolio. Investments in the deferred compensation plans are held by the third party plan administrators.

<u>Risk Management</u> – Third party coverage is currently maintained for workers' compensation, liability and property losses.

Relevant Financial Policies

The City has established a policy to have a balanced budget and to maintain a reserve account. In fiscal year 2011 The General Fund accomplished this by having a fund balance of \$8,535,115 which exceeds reserve requirements of 60 days.

The City also has a long range planning policy to identify major issues when developing its fiscal year budget. A two year budget analysis of all City funds is developed. The fiscal year 2012 budget was prepared along with a planning budget for fiscal year 2013.

Local Economy

Major industries located in the City of DeSoto include manufacturers of solar turbines, a publishing company, a transportation company, a healthcare provider, as well as a distributor of retail items and several retail grocery chains. These industries employ over 1,400 employees.

The City's unemployment rate for 2011 is an average of 8.8%, which is slightly below the unemployment rate for Dallas County of 8.5%. The City of DeSoto benefits from its proximity to the Dallas-Fort Worth metroplex and major transportation corridors with its location twelve (12) miles south of Dallas. The close proximity to job opportunities in Dallas, Fort Worth and the Mid-Cities continues to contribute to growth in the City. Its estimated population of over 49,000 has grown a notable 30% since 2000, with an increase of 24% in the number of households during the same time. There is room for further development within the City's 21 square miles, since the City is only 60-65% built out.

In fiscal year 2011, The City experienced a decrease in taxable assessed valuation by .53% since fiscal year 2010. Not unlike other cities in the Dallas-Fort Worth area, the City experienced a slight decline in residential values. However, the City experienced an increase in building permits and a slight decrease in sales tax for fiscal year 2011.

Long-term Financial Planning

The City has historically maintained solid general fund balances. Fiscal year 2011 General Fund, fund balance for the General Fund was \$8.53 million or roughly 28% of spending. The City continues to respond proactively to the downturn in the economy by implementing budget cuts sufficient to offset the revenue loss and does not expect to utilize reserves for recurring operating expenditures. The City is also utilizing extensive planning and maintaining tight budgetary measures to balance its operations. The sales tax receipts are expected to continue increase slightly as the City continues to provide incentives for retail and business operations that come to the City.

Because of the City's proximity to Interstate 35 East and Interstate 20, businesses are recognizing DeSoto as one of the region's hot spots for growth. The City is committed to supporting new and expanding companies by creatively customizing incentive packages based on individual business needs.

The City also has more than 400 acres of land that are available for industrial and commercial development within the DeSoto Eagle Industrial and Business Park. The Hillwood Crossroads Trade Center in the Industrial Park offers 1.8 million square feet of build-to-suit distribution or light industrial space for lease at Centre Park Blvd and Interstate 35 East.

Major Initiatives

The 2010-2011 fiscal year included initiatives such as:

- Maintain the current level of services provided by the Police & Fire Department, as well as the Division of Code Enforcement; and
- Increase the value of commercial assets through new development and redevelopment; and
- Develop a regional economic development vehicle to attract major employers to the Best Southwest region.

Awards and Acknowledgements

Awards – The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial reporting for the fiscal year that ended Wednesday, September 30, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement for Excellence, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose content conform to program standards. Such Comprehensive Annual Financial Reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of DeSoto has received a Certificate of Achievement for the last 22 consecutive fiscal years ended September 30. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the City's staff. Appreciation is extended to Edena Atmore and City staff who assisted as well as contributed to its preparation. The Mayor and the City Council are also commended for their willingness to participate in the strategic planning process for financial operations.

Respectfully submitted,

Tarron Richardson, Ph.D.

City Manager

Edena J. Atmore, CPA

Managing Director of Financial Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of DeSoto Texas

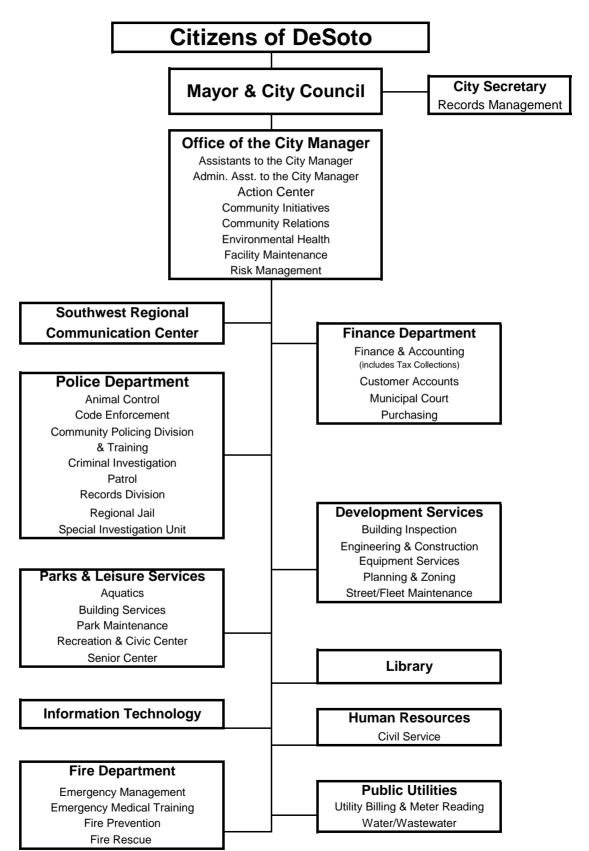
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

OF THE CANDA CORPORATION SEAL CHICAGO

Executive Director





City Officials

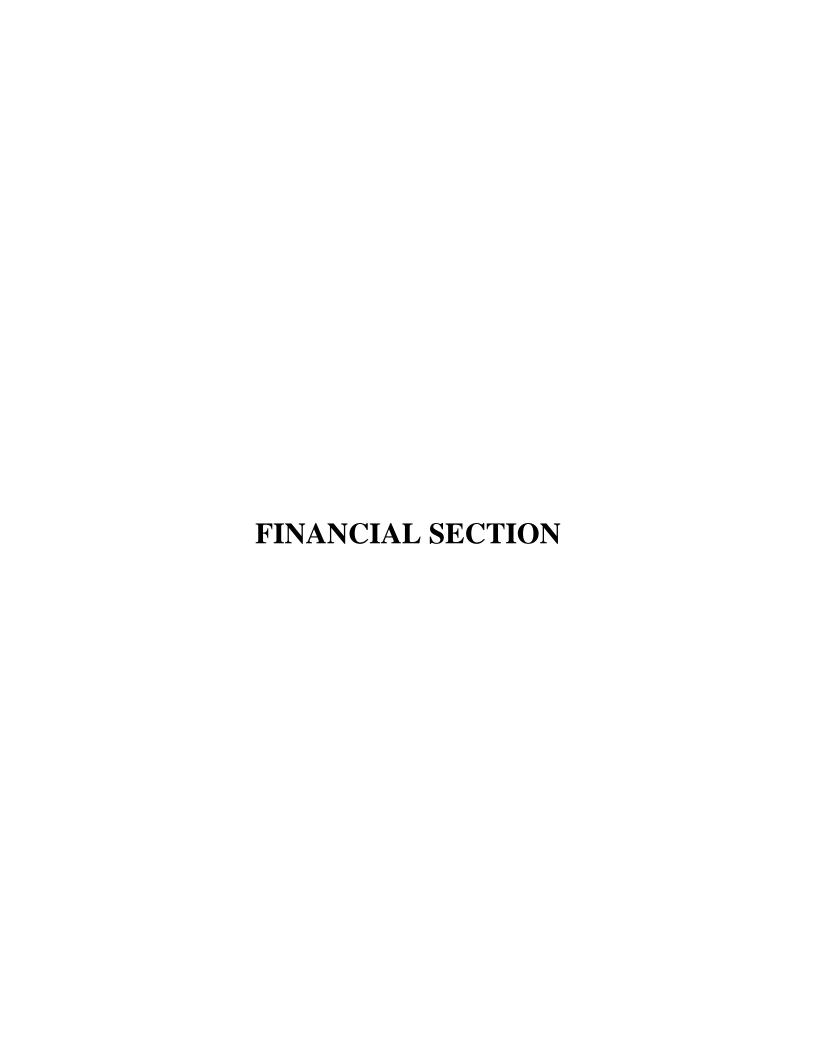
City Council

| Carl O. Sherman | Patricia Ledbetter |
|------------------|---------------------|
| Mayor | Place Two |
| Place One | |
| Denise Valentine | Deshaundra Lockhart |
| Mayor Pro Tem | Place Four |
| Place Three | |
| Sandy Respess | James Zander |
| Place Five | Place Six |
| Jerry Edgin | |
| Place Seven | |

City Employees

| Tarron Richardson, PhD. | Tracie Hlavinka |
|-------------------------------|-------------------------------|
| City Manager | Assistant to the City Manager |
| Lora Stallings | Casey Crear |
| Assistant to the City Manager | Admin. Assistant to the City |
| | Manager |
| Joe Gorfida | Isom Cameron |
| City Attorney | Managing Director |
| | Public Utilities |
| Renee Johnson | Tom Johnson |
| Managing Director | Managing Director |
| Parks & Leisure Services | Development Services |
| Kathleen Shields | Edena J. Atmore, CPA |
| Managing Director | Managing Director |
| Human Resources | Financial Services |
| Robert Lee | Fred Hart |
| Interim Police Chief | Fire Chief |
| Kathy Jones | Laura Hallmark |
| Community Relations Manager | City Secretary |
| Lucile Dade | Dona Fernandes |
| Managing Director | Managing Director |
| Library Services | S.W.R.C.C. |









INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council City of DeSoto, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of DeSoto, Texas (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of DeSoto, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of DeSoto, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of the City of DeSoto, Texas' internal control over financial reporting and on our tests over its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and the Schedule of Funding Progress for Participation in Texas Municipal Retirement System on page 60, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of DeSoto, Texas' basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

March 28, 2012

Patillo, Brown & Hill, L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

As management of the City of DeSoto (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report, and the financial statements which follow this section.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the 2011 fiscal year by \$164,238,532 (net assets). Of this amount, \$31,325,428 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2011, the City's governmental funds reported combined ending fund balances of \$23,400,673, a decrease of \$1,482,070 from the prior year. Approximately 34% of this total amount is unassigned fund balance.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,967,759 or 26% of total General Fund expenditures.
- The City's total capital assets net of accumulated depreciation decreased by \$1,498,737. The decrease is primarily due to current year depreciation. Capital project activity decreased for 2011; therefore, capital additions did not exceed current year depreciation. Some projects were postponed for future years.
- The City's long-term liabilities increased \$5,900,000 due to an increase in general obligation debt of \$1,275,000, and an increase in certificates of obligation of \$4,625,000. The general obligation bond issuance was sold to fund refund a portion of the Series 2000 Capital Appreciation Bonds. The issuance in certificates of obligations was is to improve and extend the City's waterworks and sewer system.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information in order to present how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will only result in changes in cash flows for future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, development services, parks and leisure services, library services, human resources, financial services, and information technology. The business-type activities of the City include water and sewer, drainage systems, and sanitation operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also include the DeSoto Health Facilities Development Corporation, the DeSoto Housing Finance Corporation and the DeSoto Industrial Development Authority, Inc., which are legally separate but financially accountable to the City. A blended presentation has been used to report the financial information of these component units. That means that the component unit balances and transactions are reported in a manner similar to the balances and transactions of the primary government. Additionally, the government-wide financial statements include the DeSoto Economic Development Corporation and the DeSoto Park Development Corporation as part of its reporting entity as discretely presented component units. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The DeSoto Economic Development Corporation and the DeSoto Park Development Corporation are legally separate entities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. The fund financial statements for governmental funds, proprietary funds and fiduciary funds can be found in the financial section of this report.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 15 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Street Improvement Fund, which are considered to be major funds. Data from the other 12 governmental funds are combined into a single aggregate presentation.

The City adopts an annual appropriated budget for its general fund. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, drainage and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer, drainage and sanitation, all of which are considered to be major funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds. The Agency Fund is one of the City's fiduciary funds and it accounts for the funds held in an agency capacity for the Southwest Regional Communication Center. See Note 1 for additional information pertaining to fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 29 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation. Required supplementary information immediately follows the notes to the financial statements. Combining statements and budgetary comparison schedules for non-major governmental funds and component unit fund financial statements follow the section on required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of September 30, 2011, the City's assets exceeded liabilities by \$164,238,532.

The largest portion of the City's net assets (79%) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$31,325,428, may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2011, the City is able to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF DESOTO'S NET ASSETS

| | Governmen | tal Activities | Business-ty | pe Activities | To | otals | | |
|---------------------------|---------------|----------------|---------------|---------------|----------------|----------------|--|--|
| • | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | | |
| | | | • | | | | | |
| Current and other assets | \$ 30,303,603 | \$ 32,461,590 | \$ 24,806,143 | \$ 20,892,162 | \$ 55,109,746 | \$ 53,353,752 | | |
| Capital assets | 152,909,026 | 155,364,558 | 63,649,284 | 62,692,489 | 216,558,310 | 218,057,047 | | |
| Total assets | 183,212,629 | 187,826,148 | 88,455,427 | 83,584,651 | 271,668,056 | 271,410,799 | | |
| | | | | | | | | |
| Long-term liabilities | | | | | | | | |
| outstanding | 84,338,994 | 87,399,010 | 17,470,662 | 14,693,703 | 101,809,656 | 102,092,713 | | |
| Other liabilities | 2,696,574 | 2,985,581 | 2,923,294 | 2,728,256 | 5,619,868 | 5,713,837 | | |
| Total liabilities | 87,035,568 | 90,384,591 | 20,393,956 | 17,421,959 | 107,429,524 | 107,806,550 | | |
| Net assets: | | | | | | | | |
| Invested in capital asset | cs, | | | | | | | |
| net of related debt | 83,839,278 | 82,952,006 | 46,444,456 | 59,668,820 | 130,283,734 | 142,620,826 | | |
| Restricted | 2,629,370 | 1,727,639 | - | - | 2,629,370 | 1,727,639 | | |
| Unrestricted | 9,708,413 | 12,761,912 | 21,617,015 | 6,493,872 | 31,325,428 | 19,255,784 | | |
| Total net assets | \$ 96,177,061 | \$ 97,441,557 | \$ 68,061,471 | \$ 66,162,692 | \$ 164,238,532 | \$ 163,604,249 | | |

Governmental activities. Net assets decreased by \$1.6 million in fiscal year 2011. This is compared to a decrease of \$2.2 million in fiscal year 2010. The decrease in net assets is less of a decrease as compared to the prior year, as a result of a slight increase in the property tax rate and slight improvement in sales tax collection. Additionally, the City made an effort to reduce expenses and maintain a normal service level to citizens.

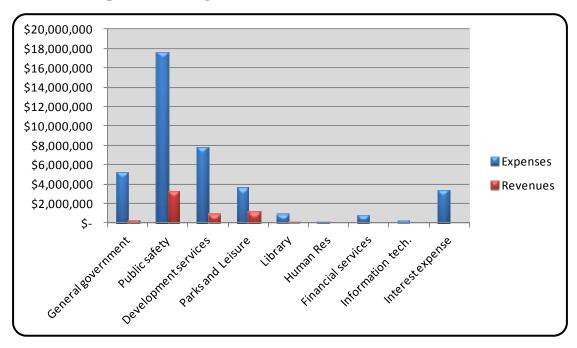
Business-type activities. There is a increase of \$957 thousand in capital assets from 2010 to 2011. This reflects a decline in construction activity for capital projects. The increase in unrestricted net assets in business type activities is due to less rainfall totals, leading to greater than anticipated water sales.

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2011. Overall, the City had an increase in net assets of \$634,283. This is due in part to a decline in capital projects, a decrease in the property tax revenues and a decrease in the amount of interest income.

CITY OF DESOTO'S CHANGES IN NET ASSETS

| | Governmen | tal Activities | Business-ty | pe Activities | Totals | | | |
|----------------------------------|---------------|----------------|---------------|---------------|----------------|----------------|--|--|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | | |
| Revenues: | | | | | | | | |
| Program revenues: | | | | | | | | |
| Charges for services | \$ 4,410,512 | \$ 4,240,165 | \$ 21,398,184 | \$ 18,818,999 | \$ 25,808,696 | \$ 23,059,164 | | |
| Operating grants | | | | | | | | |
| and contributions | 926,017 | 1,684,707 | - | 35,571 | 926,017 | 1,720,278 | | |
| Capital grants | | | | | | | | |
| and contributions | 402,804 | 338,964 | 158,865 | - | 561,669 | 338,964 | | |
| General revenues: | | | | | | | | |
| Property taxes | 21,392,377 | 20,998,395 | - | - | 21,392,377 | 20,998,395 | | |
| Other local taxes | 9,042,389 | 8,899,286 | - | - | 9,042,389 | 8,899,286 | | |
| Interest income | 83,020 | 42,494 | 28,799 | 31,429 | 111,819 | 73,923 | | |
| Miscellaneous | 262,238 | 208,314 | <u> </u> | 87,006 | 262,238 | 295,320 | | |
| Total revenues | 36,519,357 | 36,412,325 | 21,585,848 | 18,973,005 | 58,105,205 | 55,385,330 | | |
| Expenses: | | | | | | | | |
| General government | 5,217,799 | 4,845,547 | - | - | 5,217,799 | 4,845,547 | | |
| Public safety | 17,578,307 | 17,889,132 | - | - | 17,578,307 | 17,889,132 | | |
| Development services | 7,788,666 | 8,109,041 | - | - | 7,788,666 | 8,109,041 | | |
| Parks and leisure services | 3,584,536 | 3,683,752 | - | - | 3,584,536 | 3,683,752 | | |
| Library | 896,501 | 949,520 | - | - | 896,501 | 949,520 | | |
| Human resources | 139,935 | 171,664 | - | - | 139,935 | 171,664 | | |
| Financial services | 855,547 | 884,724 | - | - | 855,547 | 884,724 | | |
| Information technology | 294,197 | 294,032 | - | - | 294,197 | 294,032 | | |
| Interest on long-term debt | 3,423,048 | 3,557,515 | - | - | 3,423,048 | 3,557,515 | | |
| Water and sewer | - | - | 13,452,042 | 12,697,975 | 13,452,042 | 12,697,975 | | |
| Storm drainage | - | - | 1,282,892 | 1,209,603 | 1,282,892 | 1,209,603 | | |
| Sanitation | - | - | 2,957,452 | 2,935,666 | 2,957,452 | 2,935,666 | | |
| Total expenses | 39,778,536 | 40,384,927 | 17,692,386 | 16,843,244 | 57,470,922 | 57,228,171 | | |
| Increase (decrease) in net asset | ts | | | | | | | |
| before transfers | (3,259,179) | (3,972,602) | 3,893,462 | 2,129,761 | 634,283 | (1,842,841) | | |
| Transfers | 1,651,170 | 1,769,052 | (1,651,170) | (1,769,052) | | | | |
| Change in net assets | (1,608,009) | (2,203,550) | 2,242,292 | 360,709 | 634,283 | (1,842,841) | | |
| Net assets, beginning | 97,441,557 | 99,645,107 | 66,162,692 | 65,801,983 | 163,604,249 | 165,447,090 | | |
| Prior period adjustment | 343,513 | | (343,513) | | | | | |
| Net assets, ending | \$ 96,177,061 | \$ 97,441,557 | \$ 68,061,471 | \$ 66,162,692 | \$ 164,238,532 | \$ 163,604,249 | | |

Expense and Program Revenues – Governmental Activities



Financial Analysis and Budgetary Highlights of City Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year.

At the end of the 2011 fiscal year, the City's governmental funds reported combined ending fund balances of \$23,400,673, a decrease of \$1,482,070 from the prior year. Approximately 34% of this total amount is available for spending at the City's discretion. The remainder of fund balance is not available for new spending because it is restricted 1) to complete street improvements and capital projects (\$10,408,093), 2) to pay debt service (\$1,450,009), and 3) for a variety of other purposes.

The fund balance of the City's General Fund decreased by \$1,092,563 during the current fiscal year. This decrease in General Fund balance was a result of the City's revenues being about the same as the prior year, and expenditures increasing slightly in order to maintain the same level of service to the City's citizens. Therefore, a planned reduction of fund balance occurred in fiscal year 2011 as demonstrated in the statement of revenues, expenditures and changes in fund balance budget to actual for the General Fund.

Debt service fund balance decreased by \$709,675 due to increased principal and interest payments in fiscal year 2011.

The fund balance of the Street Improvement fund decreased by \$459,954 due to the completion of various street improvement projects in 2011 that were identified in the five-year capital improvement plan and that were part of the City's beautification projects.

General Fund Budgetary Highlights

The actual revenues of \$27,826,603 were less than the budgeted revenues by \$745,524. Sales tax revenue, fines and forfeitures, charges for services and investment earnings did not meet the budgeted amount. Other areas such as property taxes and franchise fess exceeded the budgeted amount to somewhat offset these amounts. The actual expenditures of \$30,147,445 were \$2,193,117 less than the budgeted expenditures of \$32,340,562. There was a onetime use of fund balance for projects designated by City Council in the amount of \$616,000. In awareness of the economic crisis, staff continued to curtail expenditures for 2011 in order to offset any possible revenue shortfall.

\$18,000,000 \$14,000,000 \$10,000,000 \$8,000,000 \$4,000,000 \$2,000,000 \$-Water and sewer Drainage Sanitation

Expenses and Revenues for Business-type Activities

Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the respective proprietary funds are Water and Sewer – \$17,402,176, Storm Drainage – \$3,041,629, and Sanitation – \$1,173,210. The net assets for Water and Sewer increased \$1,759,514; Storm Drainage increased \$193,328 and Sanitation increased \$289,450. Rate increases for high volume customers increased the net asset position of the Water and Sewer Fund along with low rainfall and warm temperatures during the summer season. In addition, an increase in customer base improved the net asset position of the Storm Drainage Fund.

Capital Assets

At the end of fiscal year 2011, the City had over \$216 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, and water and sewer lines. This amount represents a net decrease of approximately \$1.5 million over the amounts for the prior fiscal year.

CITY OF DESOTO'S CAPITAL ASSETS (Net of Depreciation – in thousands of dollars)

| | Governmental Activities | | | I | Business-type Activities | | | | Totals | | | |
|--------------------------|-------------------------|---------|----|---------|--------------------------|--------|----|--------|--------|---------|----|---------|
| | | 2011 | | 2010 | | 2011 | | 2010 | | 2011 | | 2010 |
| Land | \$ | 3,703 | \$ | 3,703 | \$ | 945 | \$ | 945 | \$ | 4,648 | \$ | 4,648 |
| Street/Alley ROW | | 14,073 | | 14,073 | | - | | - | | 14,073 | | 14,073 |
| Construction in progress | | 10,658 | | 9,727 | | 3,688 | | 2,120 | | 14,346 | | 11,847 |
| Buildings | | 26,732 | | 26,675 | | - | | - | | 26,732 | | 26,675 |
| Infrastructure | | 94,997 | | 98,749 | | 58,741 | | 59,372 | | 153,738 | | 158,121 |
| Equipment and furniture | | 2,189 | | 2,213 | | 275 | | 255 | | 2,464 | | 2,468 |
| Capital leases | _ | 557 | _ | 225 | | - | _ | - | _ | 557 | _ | 225 |
| Total capital assets | \$ | 152,909 | \$ | 155,365 | \$ | 63,649 | \$ | 62,692 | \$ | 216,558 | \$ | 218,057 |

Major capital asset events during the 2011 fiscal year include the following:

- Completion of the Cockrell Hill Culvert Extension Project. The scope of the work included the installation of 200 linear feet of box culverts to improve the drainage area just north of the intersection of Belt line Road on Cockrell Hill Road. It was capitalized at a cost of \$140,754.
- Completion of the Valley Ridge Drainage Improvements. The scope of the work included the installation of two drainage conduits for a length of 715 feet. It was capitalized at a cost of \$275,952.
- Completion of the Pleasant Run Landscaping Project. The scope of the work included median landscaping improvements from Red Bud Drive to Hilltop Circle. It was capitalized at a cost of \$314,835.
- Completion of the Drainage Improvements at 3-Locations project which included the following locations: Park Drive, Fall Wheat Alley, and Lisa Lane Alley. Improvements included the installation of underground drainage conduits and alley reconstructions. The capitalized cost for this project was \$149,087.
- Completion of the Water & Wastewater Extension, to the 95-acre tract in the Eagle Industrial Park funded by the DEDC. The scope of work included the installation of 1,600 linear feet of a 12-inch water main and 200 linear feet of an 8-inch sanitary sewer piping. The capitalized cost for this project was \$173,864.

Additional information on the City's capital assets can be found in Note 5 beginning on page 42 of this report.

Debt Administration

CITY OF DESOTO'S OUTSTANDING DEBT (in thousands of dollars)

| | Governmental Activities | | | | Business-type Activities | | | | Totals | | | |
|---------------------------------------------|-------------------------|---------------|------|-----------------|--------------------------|--------|------|--------|--------|---------------|------|-----------------|
| | 2011 | | 2010 | | 2011 | | 2010 | | 2011 | | 2010 | |
| General obligation | \$ | 55,374 | \$ | 59,120 | \$ | 1,326 | \$ | 1,213 | \$ | 56,700 | \$ | 60,333 |
| Certificates of obligation Notes payable | | 21,995 892 | | 21,250 1,095 | _ | 15,680 | | 13,125 | | 37,675 892 | | 34,375 1,095 |
| | \$ | 78,261 | \$ | 81,465 | \$ | 17,006 | \$ | 14,338 | \$ | 95,267 | \$ | 95,803 |

The City has an AA rating from Fitch and an AA- rating from Standard & Poor's.

In fiscal year 2011, the City used the proceeds from the sale the 2011 series of tax exempt general obligation bonds to refund a portion of the City's outstanding series 2000 and 2001 general obligation bonds. The City also used the proceeds from certificates of obligation bonds to fund improvements to the City's waterworks and sewer system, constructing, improving and equipping park and recreation facilities and street improvements. The 2011 series general obligation and certificates of obligation bonds are recorded as general government debt.

Additional information on the City's long-term debt can be found in Note 6 beginning on page 46 of this report.

Economic Factors and Next Year's Budgets and Rates

The two major financing sources for general government operations: Property Tax and Sales Tax are the major areas of focus. The yield from Property Tax revenue is projected to decrease by \$75,500 from the fiscal year 2011 budget. This impact would have been much more severe had there not been a slight growth in value of the business personal property and commercial property categories. Growth in new non-residential construction was helpful in adding new value to the tax roll and was a positive element in the growth we did experience. The FY 2012 budget was adopted with an O&M tax rate of \$0.5049, a \$0.00002 decrease from FY 2011.

Sales Tax is the second largest revenue source. In 2011, retail spending declined and the City experienced a decrease in sales tax revenue. For this reason the City projected a decrease in sales tax projections for FY 2012.

The estimates for Franchise Fees for Cable Television increased over FY 2011, reflecting a budgeted increase of \$100,000 for FY 2012. Overall, revenue in the General Fund for FY 2012 decreased by \$68,107, which represents a .002% decrease of the amount budgeted for fiscal year 2011.

The fiscal year 2012 budget provides funding for all aspects of our service delivery. This spending plan meets the objective of maintaining the current level of services.

Because the City is a service organization, a major portion of the operating budget is allocated to employee compensation and fringe benefits. Maintaining these items at a current market rate requires that new resources be allocated annually. The market review of compensation was conducted and no market adjustment in any of the salary categories was warranted. The only increases in salary will be the step increases in the Fire and Police Department, and to move employees who become eligible toward the mid-point of their salary range in the non-civil service departments. These normal increases appear in the budget each year in addition to any market adjustment. The total cost associated with salary adjustments in fiscal year 2012 is approximately \$65,000. This increase is primarily in protective services (Fire and Police) for step raises.

In addition to salary adjustments, we have experienced a decrease in the Texas Municipal Retirement System ("TMRS") contribution. It is important to note that in fiscal year 2012 we will continue participation in TMRS, and the City's match of 1.5:1. In FY 2012, the actuarial rate will be 12.16% which is a reduction of 3.38% from the previous fiscal year. This reduction in actuarial rate saved the City nearly \$400,000. This allows us to continue in TMRS and meet, over time, the UAAL obligation. All other personnel related benefit programs remain at the level reflected in the fiscal year 2011 budget.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Accounting Manager, 211 E. Pleasant Run Road, DeSoto, Texas 75115, or call (972) 230-9678, or email *tcormier@desototexas.gov*.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

| | Primary Government | | | | | | |
|-------------------------------------------------|----------------------------|--------------------------|----------------|--|--|--|--|
| | Governmental Activities | Business-type Activities | Total | | | | |
| ASSETS | | | | | | | |
| Cash and investments | \$ 22,722,771 | \$ 21,230,582 | \$ 43,953,353 | | | | |
| Receivables | 3,896,838 | 3,062,247 | 6,959,085 | | | | |
| Due from other governments | 454,181 | - | 454,181 | | | | |
| Inventories | 39,331 | 3,967 | 43,298 | | | | |
| Land held for sale | - | - | - | | | | |
| Note receivable | - | 158,865 | 158,865 | | | | |
| Note from component unit | 212,025 | - | 212,025 | | | | |
| Investment in joint ventures | 1,358,607 | - | 1,358,607 | | | | |
| Deferred charges | 1,619,850 | 350,482 | 1,970,332 | | | | |
| Capital assets: | | | | | | | |
| Non-depreciable | 28,433,854 | 4,633,238 | 33,067,092 | | | | |
| Depreciable, net | 124,475,172 | 59,016,046 | 183,491,218 | | | | |
| Total assets | 183,212,629 | 88,455,427 | 271,668,056 | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | 1,490,318 | 1,328,584 | 2,818,902 | | | | |
| Accrued liabilities | 680,805 | 90,260 | 771,065 | | | | |
| Retainage payable | 36,205 | 160,184 | 196,389 | | | | |
| Unearned revenues | 55,712 | 14,031 | 69,743 | | | | |
| Accrued interest | 433,534 | 84,102 | 517,636 | | | | |
| Customer deposits | - | 1,246,133 | 1,246,133 | | | | |
| Noncurrent liabilities: | | | | | | | |
| Due within one year | 6,096,279 | 1,027,987 | 7,124,266 | | | | |
| Due in more than one year | 78,242,715 | 16,442,675 | 94,685,390 | | | | |
| Total liabilities | 87,035,568 | 20,393,956 | 107,429,524 | | | | |
| NET ASSETS | | | | | | | |
| Invested in capital assets, net of related debt | 83,839,278 | 46,444,456 | 130,283,734 | | | | |
| Restricted for: | | | | | | | |
| Debt service | 1,390,296 | - | 1,390,296 | | | | |
| Public safety | 679,910 | - | 679,910 | | | | |
| Economic development | 558,547 | - | 558,547 | | | | |
| Culture and recreation | 617 | - | 617 | | | | |
| Parks and park facilities projects | - | - | - | | | | |
| Unrestricted (deficit) | 9,708,413 | 21,617,015 | 31,325,428 | | | | |
| Total net assets | \$ 96,177,061 | \$ 68,061,471 | \$ 164,238,532 | | | | |

| ~ | | TT |
|--------|--------|----------|
| ('omi | ponent | I nife |
| | | |

| DeSoto Park | DeSoto Economic |
|--------------|----------------------|
| Development | Development |
| Corporation | Corporation |
| \$ 521,208 | \$ 2,165,835 |
| 87,357 | 262,071 |
| - | - |
| - | 520.712 |
| - | 528,713 |
| - | - |
| - | - |
| - 87,686 | 116,048 |
| 11,250 | - |
| 2,903,206 | - |
| 3,610,707 | 3,072,667 |
| | |
| - | 57,479 |
| - | - |
| - | - |
| - | - |
| 7,881 | 12,663 |
| - | - |
| 145,000 | 386,289 |
| 1,780,000 | 2,758,190 |
| 1,932,881 | 3,214,621 |
| | |
| 989,456 | - |
| - | - |
| - | - |
| - | - |
| - | - |
| 688,370 | - |
| - | (141,954) |
| \$ 1,677,826 | \$ <u>(</u> 141,954) |

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | | Program Revenue | | | | | | | |
|--------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|
| Expenses | | (| Charges for Services | G | rants and | Capital Grants and Contributions | | | |
| | | | | | | | | | |
| \$ | 5,217,799 17,578,307 7,788,666 855,547 294,197 139,935 3,584,536 896,501 3,423,048 | \$ | 226,158 2,459,939 795,377 - - - 864,197 64,841 | \$ | 110,426 773,709 - - - 28,737 13,145 | \$ | 24,409 104,416 - - 273,979 | | |
| _ | 39,778,536 | | 4,410,512 | | 926,017 | | 402,804 | | |
| | 13,452,042 1,282,892 2,957,452 17,692,386 | _ | 16,680,611 1,472,674 3,244,899 21,398,184 | | - - - - | | 158,865 - - 158,865 | | |
| \$ | 57,470,922 | \$ | 25,808,696 | \$ | 926,017 | \$ | 561,669 | | |
| \$ \$ | 282,093 981,624 1,263,717 | \$ | <u>-</u> | \$ \$ | - - - | \$ \$ | - - - | | |
| | | Ta 1 1 1 1 1 Inv M. Tran | exes: Property Franchise Sales Hotel occupancy Mixed beverage vestment earning iscellaneous asfers Total general Change in ne | revenues t assets | and transfers | | | | |
| | \$\$ | \$ 5,217,799 17,578,307 7,788,666 855,547 294,197 139,935 3,584,536 896,501 3,423,048 39,778,536 13,452,042 1,282,892 2,957,452 17,692,386 \$ 57,470,922 \$ 282,093 981,624 | \$ 5,217,799 \$ 17,578,307 7,788,666 855,547 294,197 139,935 3,584,536 896,501 3,423,048 39,778,536 | \$ 5,217,799 \$ 226,158 17,578,307 2,459,939 7,788,666 795,377 855,547 - 294,197 - 139,935 - 3,584,536 864,197 896,501 64,841 3,423,048 - 39,778,536 4,410,512 13,452,042 16,680,611 1,282,892 1,472,674 2,957,452 3,244,899 17,692,386 21,398,184 \$ 57,470,922 \$ 25,808,696 \$ 282,093 \$ - 981,624 - \$ 1,263,717 \$ - General revenues: Taxes: Property Franchise Sales Hotel occupancy Mixed beverage Investment earning Miscellaneous Transfers Total general Change in ne Net assets - beginning | Charges for Services | Expenses Charges for Services Operating Grants and Contributions \$ 5,217,799 \$ 226,158 \$ 110,426 17,578,307 2,459,939 773,709 7,788,666 795,377 - 855,547 - - 294,197 - - 139,935 - - 3,584,536 864,197 28,737 896,501 64,841 13,145 3,423,048 - - 39,778,536 4,410,512 926,017 13,452,042 16,680,611 - 1,282,892 1,472,674 - 2,957,452 3,244,899 - 17,692,386 21,398,184 - \$ 57,470,922 \$ 25,808,696 \$ 926,017 \$ 282,093 - \$ - 981,624 - - \$ 1,263,717 \$ - \$ - General revenues: Taxes: Property Franchise Sales Hotel occupancy Mixed beverage | Expenses Charges for Services Operating Grants and Contributions Go \$ 5,217,799 \$ 226,158 \$ 110,426 \$ 17,578,307 2,459,939 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773,709 773 | | |

The accompanying notes to the financial statements are an integral part of this statement.

Net assets - beginning, restated

Net assets - ending

| | | Prim | ary Government | | | Component Units | | | | | | |
|-----|-------------------------------------------------|------|----------------|----------|-------------------------|-------------------------------------|-----------------------------------------|-------------|-----------|--|--|--|
| | overnmental Business-type Activities Activities | | <u>Total</u> | | Ε | DeSoto Park Development Corporation | DeSoto Economic Development Corporation | | | | | |
| \$(| 4,881,215) | \$ | _ | \$(| 4,881,215) | \$ | - | \$ | _ | | | |
| (| 14,320,250) | | - | (| 14,320,250) | | - | | _ | | | |
| (| 6,888,873) | | - | (| 6,888,873) | | - | | - | | | |
| (| 855,547) | | - | (| 855,547) | | - | | - | | | |
| (| 294,197) | | - | (| 294,197) | | - | | - | | | |
| (| 139,935) | | - | (| 139,935) | | - | | - | | | |
| (| 2,417,623) | | - | (| 2,417,623) | | - | | - | | | |
| (| 818,515) | | - | (| 818,515) | | - | | - | | | |
| (| 3,423,048) | | <u>-</u> | (| 3,423,048) | | | | - | | | |
| (| 34,039,203) | | <u>-</u> | (| 34,039,203) | | - | | - | | | |
| | - | | 3,387,434 | | 3,387,434 | | - | | - | | | |
| | - | | 189,782 | | 189,782 | | - | | - | | | |
| | | | 287,447 | | 287,447 | | - | | - | | | |
| | <u> </u> | | 3,864,663 | | 3,864,663 | | | | | | | |
| (| 34,039,203) | | 3,864,663 | <u>(</u> | 30,174,540) | | | | | | | |
| | - | | - | | - | (| 282,093) | | - | | | |
| | | | <u> </u> | | | | <u>-</u> | (| 981,624 | | | |
| | | | | | <u>-</u> | (| 282,093) | <u>(</u> | 981,624 | | | |
| | 21 202 277 | | | | 21 202 277 | | | | | | | |
| | 21,392,377 2,998,791 | | - | | 21,392,377 2,998,791 | | - | | - | | | |
| | 5,409,524 | | - | | 5,409,524 | | 450,794 | | 1,352,381 | | | |
| | 597,292 | | _ | | 597,292 | | - | | - | | | |
| | 36,782 | | - | | 36,782 | | - | | _ | | | |
| | 83,020 | | 28,799 | | 111,819 | | 674 | | 19,133 | | | |
| | 262,238 | | - | | 262,238 | | - | | - | | | |
| | 1,651,170 | (| 1,651,170) | | - | | - | | - | | | |
| | 32,431,194 | (| 1,622,371) | | 30,808,823 | | 451,468 | | 1,371,514 | | | |
| (| 1,608,009) | | 2,242,292 | | 634,283 | | 169,375 | | 389,890 | | | |
| | 97,441,557 | | 66,162,692 | | 163,604,249 | | 1,508,451 | (| 531,844 | | | |
| | 343,513 | (| 343,513) | | | | <u>-</u> | | - | | | |
| | 97,785,070 | | 65,819,179 | | 163,604,249 | | 1,508,451 | (| 531,844 | | | |
| | 96,177,061 | \$ | 68,061,471 | \$ | 164,238,532 | \$ | 1,677,826 | \$ <u>(</u> | 141,954 | | | |

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

| | General | Debt Service |
|-------------------------------------|----------------------|--------------|
| ASSETS | | |
| Cash and investments | \$ 7,806,769 | \$ 1,373,453 |
| Receivables, net: | | |
| Taxes | 1,952,234 | 404,655 |
| Due from other governments | 438,608 | - |
| Accounts | 1,405,531 | 45,722 |
| Due from other funds | 14,853 | - |
| Inventories | 39,331 | - |
| Note receivable | | |
| Total assets | \$ <u>11,657,326</u> | \$ 1,823,830 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable | \$ 1,103,349 | \$ - |
| Accrued liabilities | 652,064 | - |
| Due to other funds | - | - |
| Deferred revenue | 1,366,798 | 373,821 |
| Total liabilities | 3,122,211 | 373,821 |
| Fund balances: | | |
| Nonspendable: | | |
| Inventories | 39,331 | - |
| Note receivable | - | - |
| Restricted: | | |
| Debt service | - | 1,450,009 |
| Street improvements | - | - |
| Public safety | - | - |
| Economic development | - | - |
| Culture and recreation | - | - |
| Capital projects | - | - |
| Committed: | | |
| Public health | - | - |
| Development | - | - |
| Subsequent year's budget | 528,025 | - |
| Assigned: | | |
| Street improvements | - | - |
| Unassigned | 7,967,759 | |
| Total fund balances | 8,535,115 | 1,450,009 |
| Total liabilities and fund balances | \$11,657,326 | \$1,823,830 |

| | Street | Street Other | | Total | | | |
|----|------------|--------------|-------------|-------|-------------|--|--|
| Iı | mprovement | G | overnmental | G | overnmental | | |
| | | | | | | | |
| \$ | 10,815,134 | \$ | 2,727,415 | \$ | 22,722,771 | | |
| | - | | - | | 2,356,889 | | |
| | - | | 15,573 | | 454,181 | | |
| | 18,646 | | 70,050 | | 1,539,949 | | |
| | - | | - | | 14,853 | | |
| | - | | - | | 39,331 | | |
| | 212,025 | | | | 212,025 | | |
| | _ | | | | <u> </u> | | |
| \$ | 11,045,805 | \$ | 2,813,038 | \$ | 27,339,999 | | |
| | | | | | | | |
| \$ | 365,622 | \$ | 21,347 | \$ | 1,490,318 | | |
| | - | | 28,741 | | 680,805 | | |
| | - | | 14,853 | | 14,853 | | |
| | | | 12,731 | | 1,753,350 | | |
| | 365,622 | | 77,672 | | 3,939,326 | | |
| | _ | | _ | | 39,331 | | |
| | 212,025 | | _ | | 212,025 | | |
| | 212,023 | | | | 212,023 | | |
| | _ | | - | | 1,450,009 | | |
| | 9,080,205 | | - | | 9,080,205 | | |
| | - | | 679,910 | | 679,910 | | |
| | - | | 558,547 | | 558,547 | | |
| | - | | 617 | | 617 | | |
| | - | | 1,327,888 | | 1,327,888 | | |
| | _ | | 18,323 | | 18,323 | | |
| | - | | 150,081 | | 150,081 | | |
| | _ | | - | | 528,025 | | |
| | | | | | ,- | | |
| | 1,387,953 | | - | | 1,387,953 | | |
| _ | | | | | 7,967,759 | | |
| _ | 10,680,183 | | 2,735,366 | | 23,400,673 | | |
| \$ | 11,045,805 | \$ | 2,813,038 | \$ | 27,339,999 | | |



RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

| Total fund balance - governmental funds | | | \$ | 23,400,673 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---------------------------------------------------------------------------------|----|--------------|
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities | | | | |
| of the Statement of Net Assets. These assets consist of the following: Land Street and alley ROW Construction in progress Buildings Infrastructure Equipment and furniture | \$ | 3,703,301 14,072,949 10,657,604 36,146,705 153,415,181 7,763,278 | | |
| Capitalized leases Accumulated depreciation Total capital assets | (| 2,342,189 75,192,181) 152,909,026 | | 152,909,026 |
| Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental | | - 9 9 | | 102,5 05,020 |
| activities of the Statement of Net Assets. | | | | 1,619,850 |
| The investment in joint ventures is not considered a financial asset. Therefore, this is not reported in the governmental funds balance sheet. | | | | 1,358,607 |
| Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. | | | | 1,697,638 |
| Interest on long-term debt is recognized when paid at the fund level, but is accrued when incurred in the government-wide financials. | | | (| 433,534) |
| Some liabilities (such as notes payable, capital lease obligations, long-term compensated absences, and bonds payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the government-wide financials. | | | | |
| TMRS liability | (| 582,197) | | |
| Retainage payable Notes payable | (| 36,205) 892,040) | | |
| Bonds payable | (| 77,368,650) | | |
| Compensated absences | (| 4,315,161) | | |
| Capital lease obligations | (| 518,768) | | |
| Bond premium | (| 1,660,556) | | |
| Loss on bond refunding | _ | 998,378 | | |
| Total long-term liabilities | (| 84,375,199) | (| 84,375,199) |
| Net assets of governmental activities in the statement of net assets | | | \$ | 96,177,061 |

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | General | Debt Service | | |
|----------------------------------------|---------------|--------------|------------|--|
| REVENUES | 44.777.000 | | | |
| Property taxes | \$ 14,557,288 | \$ | 6,575,776 | |
| Franchise fees | 2,998,791 | | - | |
| Sales taxes | 5,409,524 | | - | |
| Hotel occupancy tax | - | | - | |
| Mixed beverage tax | 36,782 | | - | |
| Fines and forfeitures | 976,304 | | - | |
| Licenses and permits | 795,377 | | - | |
| Intergovernmental | 403,622 | | 143,080 | |
| Charges for services | 1,651,226 | | - | |
| Investment earnings | 47,203 | | 5,264 | |
| Recreation revenue | 820,760 | | - | |
| Miscellaneous | 129,726 | | | |
| Total revenues | 27,826,603 | | 6,724,120 | |
| EXPENDITURES | | | | |
| Current: | 2 202 212 | | | |
| General government | 2,202,318 | | - | |
| Public safety: | 0.450.400 | | | |
| Police | 9,173,433 | | - | |
| Fire | 7,012,682 | | - | |
| Development services | 3,193,829 | | - | |
| Financial services | 688,720 | | - | |
| Information technology | 293,953 | | - | |
| Human resources | 140,181 | | - | |
| Parks and leisure services | 3,186,277 | | - | |
| Library services | 868,865 | | - | |
| Non-departmental | 1,288,744 | | - | |
| Debt service | | | | |
| Principal | 266,943 | | 4,375,005 | |
| Interest and other charges | 49,020 | | 3,486,476 | |
| Capital outlay | 1,782,480 | | | |
| Total expenditures | 30,147,445 | | 7,861,481 | |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (2,320,842) | (| 1,137,361) | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of long-term debt | - | | 1,275,000 | |
| Proceeds from capital leases | 394,406 | | - | |
| Sale of capital assets | 72,490 | | - | |
| Premium on issuance of bonds | - | | 93,521 | |
| Payment to escrow agent | - | (| 1,338,613) | |
| Transfers in | 1,652,403 | | 397,778 | |
| Transfers out | (891,020) | | | |
| Total other financing sources and uses | 1,228,279 | | 427,686 | |
| NET CHANGE IN FUND BALANCES | (1,092,563) | (| 709,675) | |
| FUND BALANCES, BEGINNING, RESTATED | 9,627,678 | | 2,159,684 | |
| FUND BALANCES, ENDING | \$ 8,535,115 | \$ | 1,450,009 | |

| | Street | | Other | | Total |
|----|------------|----|------------|----|-------------|
| It | nprovement | Go | vernmental | G | overnmental |
| \$ | _ | \$ | _ | \$ | 21,133,064 |
| Ψ | _ | Ψ | _ | Ψ | 2,998,791 |
| | _ | | _ | | 5,409,524 |
| | _ | | 597,292 | | 597,292 |
| | _ | | - | | 36,782 |
| | _ | | 78,173 | | 1,054,477 |
| | _ | | - | | 795,377 |
| | 123,062 | | 608,746 | | 1,278,510 |
| | - | | 45,443 | | 1,696,669 |
| | 27,556 | | 2,997 | | 83,020 |
| | 27,330 | | - - | | 820,760 |
| | - | | 128,184 | | |
| | | | | | 257,910 |
| | 150,618 | | 1,460,835 | | 36,162,176 |
| | | | | | |
| | - | | 420,100 | | 2,622,418 |
| | | | 790 446 | | 9,953,879 |
| | - | | 780,446 | | |
| | 40.277 | | 15,116 | | 7,027,798 |
| | 49,277 | | 97,818 | | 3,340,924 |
| | - | | 38,326 | | 727,046 |
| | - | | - | | 293,953 |
| | - | | - | | 140,181 |
| | - | | 10.502 | | 3,186,277 |
| | - | | 10,592 | | 879,457 |
| | - | | - | | 1,288,744 |
| | - | | - | | 4,641,948 |
| | 14,494 | | 52,853 | | 3,602,843 |
| | 1,676,517 | | 296,711 | | 3,755,708 |
| | 1,740,288 | | 1,711,962 | | 41,461,176 |
| | | | | | |
| (| 1,589,670) | (| 251,127) | (| 5,299,000) |
| | 500,000 | | 1,145,000 | | 2,920,000 |
| | - | | - | | 394,406 |
| | - | | - | | 72,490 |
| | 14,852 | | 9,104 | | 117,477 |
| | - | | - | (| 1,338,613) |
| | 615,170 | | 316,284 | | 2,981,635 |
| (| 306) | (| 439,139) | (| 1,330,465) |
| | 1,129,716 | | 1,031,249 | | 3,816,930 |
| (| 459,954) | | 780,122 | (| 1,482,070) |
| | 11,140,137 | | 1,955,244 | | 24,882,743 |
| \$ | 10,680,183 | \$ | 2,735,366 | \$ | 23,400,673 |

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

| Net change in fund balances - total governmental funds: | \$(| 1,482,070) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------------------------------|
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | | |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense. This is the amount of capital asset recorded in the current period. | | 3,910,883 |
| Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds. | (| 6,561,253) |
| The net effect of various transactions involving capital assets, such as sales and disposals, is to increase net assets. | | 194,838 |
| Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. Change in deferred revenue Change in equity interest of joint ventures | (| 301,373 716,793) |
| Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Net Assets shows this as a reduction of long-term liabilities. Issuance of debt Repayment of principal on long-term debt | (| 3,431,883) 4,666,748 |
| Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | 1 220 512 |
| Payment to refunding escrow agent Premium on debt Bond issuance costs Bond refunding loss | (| 1,338,613 119,877 29,999 91,407) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: | ` | |
| Accrued interest | (| 1,489) |
| Compensated absences Arbitrage liability | | 24,603 98,015 |
| | | |
| Change in net assets of governmental activities | \$ <u>(</u> | 1,608,009) |

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Variance with

| | Budgeted Amounts | | | | | Final Budget - Positive | | |
|----------------------------------------|------------------|-------------------------|----------|-------------------------|--------|-------------------------|------------|--------------------|
| | Original | | Final | | Actual | | (Negative) | |
| REVENUES | ď | 14 190 017 | ф | 14 190 017 | ¢ | 14 557 200 | ¢ | 267 271 |
| Property taxes Franchise fees | \$ | 14,189,917 2,571,000 | \$ | 14,189,917 2,571,000 | \$ | 14,557,288 2,998,791 | \$ | 367,371 427,791 |
| Sales taxes | | 6,979,805 | | 6,979,805 | | 5,409,524 | (| 1,570,281) |
| Mixed beverage tax | | 33,000 | | 33,000 | | 36,782 | (| 3,782 |
| Fines and forfeitures | | 1,014,000 | | 1,014,000 | | 976,304 | (| 37,696) |
| Licenses and permits | | 555,000 | | 555,000 | | 795,377 | (| 240,377 |
| Intergovernmental | | 508,000 | | 508,000 | | 403,622 | (| 104,378) |
| Charges for services | | 1,818,900 | | 1,818,900 | | 1,651,226 | (| 167,674) |
| Recreation services | | 657,330 | | 657,330 | | 820,760 | (| 163,430 |
| Investment earnings | | 171,175 | | 171,175 | | 47,203 | (| 123,972) |
| Miscellaneous | | 57,000 | | 74,000 | | 129,726 | | 55,726 |
| Total revenues | | 28,555,127 | - | 28,572,127 | | 27,826,603 | (| 745,524) |
| EXPENDITURES Current: | | | | | | | | |
| General government | | 4,813,583 | | 4,199,697 | | 2,202,318 | | 1,997,379 |
| Public safety | | 4,015,505 | | 4,177,077 | | 2,202,310 | | 1,771,317 |
| Police | | 8,902,524 | | 8,902,524 | | 9,173,433 | (| 270,909) |
| Fire | | 7,078,138 | | 7,078,138 | | 7,012,682 | (| 65,456 |
| Development services | | 3,986,028 | | 3,322,828 | | 3,193,829 | | 128,999 |
| Financial services | | 1,391,695 | | 1,391,695 | | 688,720 | | 702,975 |
| Information technology | | 601,893 | | 596,893 | | 293,953 | | 302,940 |
| Human resources | | 356,707 | | 356,707 | | 140,181 | | 216,526 |
| Parks and leisure services | | 3,427,429 | | 3,139,129 | | 3,186,277 | (| 47,148) |
| Public library | | 873,233 | | 873,233 | | 868,865 | | 4,368 |
| Non-departmental | | 1,029,350 | | 1,029,350 | | 1,288,744 | (| 259,394) |
| Debt service: | | , , | | , , | | , , | ` | , , |
| Principal | | 460,800 | | 460,800 | | 266,943 | | 193,857 |
| Interest and other charges | | 57,168 | | 57,168 | | 49,020 | | 8,148 |
| Capital outlay | | 1,289,700 | _ | 932,400 | | 1,782,480 | (| 850,080) |
| Total expenditures | _ | 34,268,248 | _ | 32,340,562 | | 30,147,445 | | 2,193,117 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | | | | | |
| OVER (UNDER) EXPENDITURES | (| 5,713,121) | <u>(</u> | 3,768,435) | (| 2,320,842) | | 1,447,593 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Proceeds from capital leases | | - | | - | | 394,406 | | 394,406 |
| Sale capital assets | | 40,000 | | 40,000 | | 72,490 | | 32,490 |
| Transfers in | | 2,131,246 | | 1,781,246 | | 1,652,403 | (| 128,843) |
| Transfers out | | 716,952 | (| 877,734) | (| 891,020) | (| 13,286) |
| Total other financing sources and uses | _ | 2,888,198 | - | 943,512 | _ | 1,228,279 | | 284,767 |
| NET CHANGE IN FUND BALANCES | (| 2,824,923) | (| 2,824,923) | (| 1,092,563) | | 1,732,360 |
| FUND BALANCES, BEGINNING, RESTATED | | 9,627,678 | - | 9,627,678 | _ | 9,627,678 | | |
| FUND BALANCES, ENDING | \$ | 6,802,755 | \$_ | 6,802,755 | \$ | 8,535,115 | \$ | 1,732,360 |

STATEMENT OF NET ASSETS PROPRIETARY FUNDS SEPTEMBER 30, 2011

| | | | Bu | siness-type Activ | ities - En | nterprise Funds | | |
|-------------------------------------------------|----|-------------|------------|-------------------|------------|-----------------|------------|-------------|
| | | Water and | | JP | | | | |
| | | Sewer | | Drainage | | Sanitation | | Total |
| ASSETS | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and investments | \$ | 17,267,119 | \$ | 2,835,025 | \$ | 1,128,438 | \$ | 21,230,582 |
| Accounts receivable, net | | 2,573,639 | | 152,500 | | 336,108 | | 3,062,247 |
| Inventories | | 3,967 | | - | | - | | 3,967 |
| Notes receivable | | 158,865 | | - | | - | | 158,865 |
| Total current assets | | 20,003,590 | | 2,987,525 | | 1,464,546 | | 24,455,661 |
| Non-current assets: | | | | | | | | |
| Deferred charges | | 222,708 | | 127,774 | | - | | 350,482 |
| Capital assets: | | ŕ | | ŕ | | | | ŕ |
| Land | | 283,902 | | 341,197 | | 320,087 | | 945,186 |
| Construction in progress | | 3,144,057 | | 61,330 | | 482,665 | | 3,688,052 |
| Improvements | | 9,333,708 | | 5,038,067 | | 8,950 | | 14,380,725 |
| Water and sewer systems | | 75,067,826 | | - | | - | | 75,067,826 |
| Drainage systems | | - | | 11,563,039 | | - | | 11,563,039 |
| Equipment and furniture | | 957,664 | | 70,944 | | 140,469 | | 1,169,077 |
| Equipment acquired under capital lease | | - | | - | | 111,425 | | 111,425 |
| Accumulated depreciation | (| 39,104,314) | (| 4,034,867) | (| 136,865) | (| 43,276,046) |
| Total non-current assets | | 49,905,551 | | 13,167,484 | | 926,731 | | 63,999,766 |
| Total assets | | 69,909,141 | | 16,155,009 | | 2,391,277 | | 88,455,427 |
| LIABILITIES | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | | 1,114,995 | | 6,369 | | 207,220 | | 1,328,584 |
| Accrued liabilities | | 69,826 | | 10,810 | | 9,624 | | 90,260 |
| Retainage payable | | 116,853 | | 14,783 | | 28,548 | | 160,184 |
| Customer deposits | | 1,246,133 | | - | | _ | | 1,246,133 |
| Accrued interest | | 53,243 | | 30,859 | | - | | 84,102 |
| Unearned revenue | | 6,765 | | - | | 7,266 | | 14,031 |
| Compensated absences | | 44,295 | | 2,130 | | 7,856 | | 54,281 |
| Bonds payable | | 440,041 | | 533,665 | | - | | 973,706 |
| Total current liabilities | | 3,092,151 | | 598,616 | | 260,514 | | 3,951,281 |
| Non-current liabilities: | | | | | | | | |
| Compensated absences | | 132,883 | | 6,388 | | 23,570 | | 162,841 |
| Bonds payable | | 11,206,290 | | 5,024,832 | | - | | 16,231,122 |
| TMRS net pension obligation | | 39,129 | | 2,331 | | 7,252 | | 48,712 |
| Total non-current liabilities | | 11,378,302 | | 5,033,551 | | 30,822 | | 16,442,675 |
| Total liabilities | | 14,470,453 | | 5,632,167 | | 291,336 | | 20,393,956 |
| NET ASSETS | | | | | | | | |
| Invested in capital assets, net of related debt | | 38,036,512 | | 7,481,213 | | 926,731 | | 46,444,456 |
| Unrestricted | | 17,402,176 | | 3,041,629 | | 1,173,210 | | 21,617,015 |
| Total net assets | \$ | 55,438,688 | \$ <u></u> | 10,522,842 | \$ | 2,099,941 | \$ <u></u> | 68,061,471 |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | Business-type Activities - Enterprise Funds | | | | | | | |
|-----------------------------------------|---------------------------------------------|---------------|--------------|---------------|--|--|--|--|
| | Water and | | | | | | | |
| | Sewer | Drainage | Sanitation | Total | | | | |
| REVENUES | | | | | | | | |
| Charges for services | \$ 16,615,080 | \$ 1,472,474 | \$ 3,244,899 | \$ 21,332,453 | | | | |
| Miscellaneous | 65,531 | 200 | - | 65,731 | | | | |
| Total operating revenues | 16,680,611 | 1,472,674 | 3,244,899 | 21,398,184 | | | | |
| OPERATING EXPENSES | | | | | | | | |
| Personnel costs | 1,511,639 | 270,325 | 239,523 | 2,021,487 | | | | |
| Water supply | 3,800,513 | - | - | 3,800,513 | | | | |
| Wastewater treatment | 3,084,698 | - | - | 3,084,698 | | | | |
| Refuse collection | - | - | 2,030,487 | 2,030,487 | | | | |
| Administrative charges | 1,269,164 | 102,673 | 500,000 | 1,871,837 | | | | |
| Contractual services | 204,717 | 5,155 | 128,567 | 338,439 | | | | |
| Repairs and maintenance | 757,852 | 52,895 | 11,312 | 822,059 | | | | |
| Materials and supplies | 118,385 | 2,789 | 28,833 | 150,007 | | | | |
| Other | 142,807 | 56 | 453 | 143,316 | | | | |
| Depreciation | 2,227,638 | 604,148 | 18,277 | 2,850,063 | | | | |
| Total operating expenses | 13,117,413 | 1,038,041 | 2,957,452 | 17,112,906 | | | | |
| OPERATING INCOME | 3,563,198 | 434,633 | 287,447 | 4,285,278 | | | | |
| NON-OPERATING REVENUES (EXPENSES) | | | | | | | | |
| Interest and investment revenue | 23,250 | 3,546 | 2,003 | 28,799 | | | | |
| Interest expense | (334,629) | (244,851) | | (579,480) | | | | |
| Total non-operating revenues (expenses) | (311,379) | (241,305) | 2,003 | (550,681) | | | | |
| INCOME BEFORE CONTRIBUTIONS | | | | | | | | |
| AND TRANSFERS | 3,251,819 | 193,328 | 289,450 | 3,734,597 | | | | |
| Capital contributions | 158,865 | - | _ | 158,865 | | | | |
| Transfers out | (1,651,170) | | | (1,651,170) | | | | |
| CHANGE IN NET ASSETS | 1,759,514 | 193,328 | 289,450 | 2,242,292 | | | | |
| NET ASSETS, BEGINNING | 53,679,174 | 10,673,027 | 1,810,491 | 66,162,692 | | | | |
| PRIOR PERIOD ADJUSTMENT | | (343,513) | | (343,513) | | | | |
| NET ASSETS, BEGINNING, AS RESTATED | 53,679,174 | 10,329,514 | 1,810,491 | 65,819,179 | | | | |
| NET ASSETS, ENDING | \$ 55,438,688 | \$ 10,522,842 | \$2,099,941 | \$ 68,061,471 | | | | |

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | Business-type Activities - Enterprise Funds | | | | | | | |
|-------------------------------------------------------------------------------------------|---------------------------------------------|--------------|--------------|---------------|--|--|--|--|
| | Water and Sewer | Drainage | Sanitation | Total | | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | |
| Receipts from customers | \$ 16,296,049 | \$ 1,479,596 | \$ 3,306,709 | \$ 21,082,354 | | | | |
| Payments to suppliers | (9,140,341) | (204,900) | (2,808,586) | (12,153,827) | | | | |
| Payments to employees | (1,499,388) | (285,853) | (239,815) | (2,025,056) | | | | |
| Net cash provided by operating activities | 5,656,320 | 988,843 | 258,308 | 6,903,471 | | | | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Transfers out to other funds | (1,651,170) | | | (1,651,170) | | | | |
| Net cash used by noncapital financing activities | (1,651,170) | | | (1,651,170) | | | | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Acquisition and construction of | | | | | | | | |
| property, plant and equipment | (2,818,267) | (406,859) | (480,587) | (3,705,713) | | | | |
| Proceeds from issuance of bonds | 3,077,896 | - | - | 3,077,896 | | | | |
| Principal paid on long-term debt | (232,967) | (422,028) | - | (654,995) | | | | |
| Interest paid on long-term debt | (403,626) | (245,272) | - | (648,898) | | | | |
| Net cash used by capital and | | | | | | | | |
| related financing activities | (376,964) | (1,074,159) | (480,587) | (1,931,710) | | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | |
| Interest received | 23,250 | 3,546 | 2,003 | 28,799 | | | | |
| Net cash provided by investing activities | 23,250 | 3,546 | 2,003 | 28,799 | | | | |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,651,436 | (81,770) | (220,276) | 3,349,390 | | | | |
| CASH AND CASH EQUIVALENTS, BEGINNING | 13,615,683 | 2,916,795 | 1,348,714 | 17,881,192 | | | | |
| CASH AND CASH EQUIVALENTS, ENDING | \$ 17,267,119 | \$ 2,835,025 | \$ 1,128,438 | \$ 21,230,582 | | | | |

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2011

Business-type Activities - Enterprise Funds Water and Sewer Drainage Sanitation Total RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES \$ Operating income 3,563,198 \$ 434,633 \$ 287,447 4,285,278 Adjustments to reconcile operating income to net cash provided by operating activities: Depreciation 2,227,638 604,148 18,277 2,850,063 Change in assets and liabilities: Decrease (increase) in customer receivable 433,791) 6,922 54,544 372,325) Decrease (increase) in inventory 681 681 Increase (decrease) in accounts payable 237,114 41,332) 64,344) 131,438 (Increase (decrease) in accrued liabilities 7,246) 17,800) 44,590) 69,636) Increase (decrease) in customer deposits 45,785 45,785 Increase (decrease) in unearned revenue 3,444 7,266 10,710 19,497 Increase (decrease) in compensated absences 2,272 292) 21,477 Total adjustments 2,093,122 554,210 29,139) 2,618,193 Net cash provided by operating activities 5,656,320 988,843 258,308 6,903,471

STATEMENT OF FIDUCIARY NET ASSETS

SEPTEMBER 30, 2011

| | Agency Fund |
|--------------------------------------------------------------|-------------------|
| ASSETS Cash and cash equivalents | \$482,533 |
| Total assets | \$ 482,533 |
| LIABILITIES Due to Southwest Regional Communications Center | \$482,533 |
| Total liabilities | \$ <u>482,533</u> |

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of DeSoto (the "City") was incorporated in 1949. The City operates as a home-rule City under a council-manager form of government with a mayor and six City Council members elected at large. The City provides the following services as authorized by its charter: public safety (police and fire), streets, water, sewer and drainage utilities, solid waste operations, public library, parks and recreation, public improvements, planning, zoning and code enforcement, and general administrative services.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB. The City has selected the option to not follow private sector standards of accounting and financial reporting issued subsequent to November 30, 1989, for its proprietary activities. The following is a summary of the more significant accounting and reporting policies:

Reporting Entity

In defining the scope of the City for financial reporting purposes, the City conforms to the criteria of GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement 39, "Determining Whether Certain Organizations Are Component Units." This report includes the financial statements of the City's primary government, which covers all funds or organizations that are part of the City's legal entity.

Additionally, the City's primary government also includes blended component units. These are legally separate entities for which the City is financially accountable and the governing board of the City is essentially the same as that of the entities. Based on these criteria, the Health Facilities Development Corporation, the Housing Finance Corporation and the Industrial Development Authority, Inc. are included as Special Revenue Funds of the primary government.

<u>Health Facilities Development Corporation</u> – The City created the Corporation to assist the maintenance of public health within the City. The Corporation's governing body is the same as the governing body of the City. The Corporation is authorized to sell bonds. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City.

Reporting Entity (Continued)

<u>Housing Finance Corporation</u> – The City created the Corporation to carry out the purposes of the Texas Housing Finance Corporations Act within the City. The Corporation's governing body is the same as the governing body of the City. There are seven directors. The Corporation is authorized to sell bonds. Upon dissolution of the Corporation, title to or other interests in any real or personal property owned by the Corporation shall vest in the City.

<u>Industrial Development Authority, Inc.</u> – The City created the Corporation for the purposes of promoting and developing commercial, industrial, manufacturing and medical research enterprises to promote and encourage employment, public health and public welfare within the City. The Corporation's governing body is the same as the governing body of the City. The Corporation is authorized to sell bonds. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City.

The City's reporting entity also includes the accounts of the DeSoto Economic Development Corporation ("DEDC") and the DeSoto Park Development Corporation ("DPDC") as discretely presented component units, entities for which the City is financially accountable. The City Council appoints the Board of Directors of the DEDC and the DPDC, and is able to impose its will on the organizations.

<u>DeSoto Economic Development Corporation</u> – The Corporation was created for the purpose of promoting economic development within the City. There are five directors, all appointed by the City Council. All directors are residents of the City. Each director serves a three-year staggered term. The Corporation is authorized to borrow funds and issue bonds with City Council approval.

<u>DeSoto Parks Development Corporation</u> – The Corporation was created for the purpose of promoting parks within the City. There are seven directors, all appointed by the City Council. All directors are residents of the City. Each director serves a two-year staggered term. The Corporation is authorized to issue bonds for public parks and park facilities projects with City Council approval.

Separate financial statements are not issued for the DPDC, the Health Facilities Development Corporation, the Housing Finance Corporation and the Industrial Development Authority. Complete financial statements are issued by the DEDC and can be obtained from:

DeSoto Economic Development Corporation 211 E. Pleasant Run Road DeSoto, Texas 75115

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units.

All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, transactions between governmental and business-type activities have not been eliminated.

Governmental activities, which are normally supported by property, sales and franchise taxes, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Significant revenues generated from business-type activities include: charges to customers for water and wastewater services, municipal drainage services and charges for solid waste services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function of City government. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues in the statement of activities.

In addition to the government-wide financial statements, the City also reports separate financial statements for governmental funds, proprietary funds, and fiduciary funds; these statements are classified as fund financial statements. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds at September 30, 2011:

<u>General Fund</u> – The General Fund is the primary operating fund of the City. This fund is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

<u>Debt Service Fund</u> – This fund accounts for the accumulation of resources (primarily property tax levies) for the payment of principal, interest and related costs of general long-term debt.

<u>Street Improvements Funds</u> – These funds account for the financial and construction costs of various street improvement projects within the City. General obligation and certificate of obligation bonds provide the financing.

The City reports the following major proprietary funds at September 30, 2011:

<u>Water and Sewer Fund</u> – This fund accounts for water and wastewater system services provided for residents and businesses of the City, including administration, operations, maintenance, debt service, billing and collection.

<u>Drainage Fund</u> – This fund accounts for the operation of the Water and Sewer Utility and provides funding for drainage capital improvements, and enhanced maintenance of the drainage system.

<u>Sanitation Fund</u> – This fund accounts for revenues and expenses of solid waste operations. Revenues are generated through user charges. This fund also funds additional services for litter control and median beautification, street sweeping and household hazardous waste collection.

Additionally, the City reports the following fund type:

<u>Agency Fund</u> – This fund reports cash and investments held by the City on behalf of the Southwest Regional Communications Center.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) are reported on the statement of net assets.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. Measurable means the amount of the transaction can be determined. Available means collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the fiscal year-end. Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred, with the exception of principal and interest on general long-term debt, and liabilities for accrued compensated absences and arbitrage rebate, which are recognized when due.

Property taxes, sales tax revenue, franchise taxes, grants and interest income are considered to be susceptible to accrual. Licenses and permits, charges for services, and fines and forfeitures are recorded as revenue when received in cash, because they are generally not measurable and available until actually received. The deferred revenues account is utilized in governmental funds to record earned amounts which are unavailable to liquidate liabilities of the current period (i.e., not collectible within 60 days). When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary operations are charges to customers for sales and services. All revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses. Unbilled receivables for water and sewer services are recorded at year-end.

There is one fiduciary fund which is an Agency Fund. Agency Funds represent funds held in an agency capacity of the Southwest Regional Communication Center. These funds are monies held by the City related to the operation of the regional dispatch center, a joint venture of the City. These funds do not belong to the City. Agency funds do not have a measurement focus.

Investment Accounting Policy

The City follows the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" ("Statement"). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in the fair value of investments be recognized as investment revenue. The Statement further provides that the City has the option of continuing to report certain investments at cost or amortized cost but must disclose its policy in this regard. In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Non-negotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public Funds Investment Pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act") Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one-half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and are recognized as revenue beginning on the date of levy, October 1, when they become available. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within 60 days of the fiscal year are recorded as deferred revenue and is recognized when it becomes available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenue and recognized as revenue of the period to which they apply. Current taxes are due on October 1, and become delinquent if unpaid on February 1 and are turned over to the City Attorney for collection on July 1. Delinquent property taxes attach as an enforceable lien on property as of January 1. For the year ended September 30, 2011, the City had a tax rate of \$.73512 per \$100, of which \$.50492 was allocated for general government, and \$.23020 was allocated for payment of principal and interest on governmental activities long-term debt.

Receivables

Taxes and accounts receivable are shown net of an allowance for uncollectible. Accounts receivable in excess of 90 days comprise the allowance for uncollectible. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at September 30, 2011.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventory

Inventories are valued at cost, using the first-in, first-out method. The City utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenses when used rather than when purchased.

Land Held for Sale

Land held for sale consists of a lot purchased by DEDC in fiscal year 2011. This lot was purchased with the intent to be sold to the City of DeSoto in the subsequent year. This land is classified as available or sale and is stated at the lower of cost or net realizable value.

Capital Assets

Capital assets, which include land, buildings, infrastructure, improvements, equipment and construction in progress, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are valued at their fair value on the date donated. Repairs and maintenance are recorded as expenses. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets capitalized have an original cost of \$5,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Infrastructure, water and sewer system, and water line replacements Buildings

Equipment and furniture Capital lease equipment

10 - 50 years 32 years

3 - 10 years

Shorter of 5 years or lease term

Compensated Absences

The City permits employees to accumulate to certain limits unused vacation, sick leave and compensatory time. For civilian and police employees, unused vacation leave may be accumulated to a maximum of 320 hours and unused sick leave may be accumulated to a maximum of 720 hours. For firefighters, unused vacation leave may be accumulated to a maximum of 480 hours and unused sick leave may be accumulated to a maximum of 1,080 hours. GASB Interpretation No. 6 indicates that liabilities for compensated absences are normally expected to be liquidated with expendable available financial resources and should be recognized as governmental fund liabilities to the extent that they mature each period. Accrued compensated absences are reported in the respective columns in the government-wide financial statements and in the proprietary fund financial statements when earned. Compensated absences are reported in governmental funds only if they have matured.

Long-term Debt

In the government-wide financial statements, and the proprietary fund financial statements, long-term debt is reported as a liability in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds if material in amount. In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs are recognized during the current period. The face amount of debt is recorded as other financing sources. Bond premiums and discounts are recorded as other financing sources and uses. Issuance costs are reported as expenditures in the funds receiving the bond proceeds.

Transactions Between Funds

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services provided and used, are recorded as transfers.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City follows these procedures in establishing its annual budget:

- 1) Prior to August 1, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1.
- 2) A public hearing is conducted to obtain taxpayer comments.
- 3) The budget is legally enacted by the City Council through passage of an ordinance prior to October 1.
- 4) Any revisions that alter the total budgeted expenditures of the Enterprise of Governmental Funds must be approved by the City Council.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund.
- 6) Unused appropriations lapse at fiscal year-end and may not be carried over to the following fiscal year.
- 7) Budgeted amounts are as originally adopted or as amended by the City Council. There were no significant budgetary amendments made during fiscal year 2011.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

<u>Budgetary Information</u> (Continued)

- 8) The City Manager is authorized to adjust budget amounts; however, such revisions may not result in total budgeted expenditures (appropriations) in excess of budgeted revenues at the fund level without the approval of City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.
- 9) Budgetary statements and schedules are presented for all funds with legally adopted budgets. The Homeland Security Fund, Health Facilities Development Corp. Fund, Housing Finance Corp. Fund and Industrial Development Authority Fund do not have legally adopted budgets and accordingly budget information is not presented for these funds.

3. CASH AND INVESTMENTS

The City's investments at September 30, 2011, are as follows:

| | Fair Value | Rating | Rating Agency | Weighted Average Maturity (Days) |
|---------|----------------------|--------|-------------------|-------------------------------------------|
| MBIA | \$ 33,525,917 | AAAf | Standard & Poor's | 31 |
| TexPool | 1,821,194 | AAAm | Standard & Poor's | 50 |
| | \$ <u>35,347,111</u> | | | |

<u>Interest Rate Risk</u>: In order to minimize risk of loss due to interest rate fluctuations, the City's investment policy states investment maturities will not exceed the anticipated cash flow requirement of the funds as follows:

<u>Operating Funds</u> – The dollar weighted average maturity of 365 days or less will be calculated using the stated final maturity of each security and the maximum allowable maturity shall be there for years.

<u>Debt Service Fund</u> – The maximum maturity for securities purchased shall not exceed the corresponding debt service payment date.

<u>Special Purpose Funds</u> – The maximum maturity shall not exceed five years and each fund's weighted average life shall not exceed three years.

3. CASH AND INVESTMENTS (Continued)

<u>Credit Risk</u>: In compliance with the City's investment policy as of September 30, 2011, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers/dealers, and advisors with which the City does business, and diversifying the investment portfolio so that potential losses on individual securities are minimized.

<u>Custodial Credit Risk</u>: The City maintains a cash and investment pool that combines cash of the various funds in order to maximize investment opportunities. The City's policy and state statutes require that all deposits in financial institutions be insured by the Federal Depository Insurance Corporation (FDIC) or fully collateralized as per the Public Funds Collateral Act. The City's deposits were fully insured or collateralized as required by state statutes as of September 30, 2011.

The City maintains petty cash funds in the amount of \$5,750.

Discretely Presented Component Units

DEDC

As of September 30, 2011, all of DEDC's deposits were fully insured by FDIC insurance or collateralized. The DEDC maintains a petty cash fund of \$200.

DPDC

As of September 30, 2011, all of DPDC's deposits were fully insured by FDIC insurance or collateralized.

4. RECEIVABLES

Receivables at September 30, 2011, for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | | General | _ | Debt Service | Imp | Street provement | N | onmajor | | Water and Sewer | I | Orainage | | Sanitation | | Total |
|-----------------------------------|-----|------------|-----|-----------------|-----|---------------------|-----|---------|----|--------------------|----|----------|-----|------------|----|------------|
| Taxes Due from other | \$ | 2,052,673 | \$ | 449,617 | \$ | - | \$ | - | \$ | - | \$ | - | \$ | - | \$ | 2,502,290 |
| governments | | 438,608 | | - | | - | | 15,573 | | - | | - | | - | | 454,181 |
| Accounts and other | _ | 6,632,863 | _ | 45,722 | | 18,646 | | 70,050 | | 2,629,639 | | 156,514 | _ | 345,412 | | 9,898,846 |
| Gross receivables | | 9,124,144 | | 495,339 | | 18,646 | | 85,623 | | 2,629,639 | | 156,514 | | 345,412 | | 12,855,317 |
| Less allowance for uncollectibles | (| 5,327,771) | (| 44,962) | | - | | - | (| 56,000) | (| 4,014) | (| 9,304) | (| 5,442,051) |
| | | | _ | <u> </u> | _ | | _ | | | | | | | | | |
| | \$_ | 3,796,373 | \$_ | 450,377 | \$ | 18,646 | \$_ | 85,623 | \$ | 2,573,639 | \$ | 152,500 | \$_ | 336,108 | \$ | 7,413,266 |

4. **RECEIVABLES** (Continued)

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the various components of deferred revenues reported in the governmental funds were as follows:

| General: | | |
|---------------------------------|----|-----------|
| Ad valorem tax | \$ | 833,926 |
| Municipal court fines | | 210,033 |
| Grant revenues | | 273,978 |
| Alarm permits | | 5,880 |
| Debt service: | | |
| Ad valorem tax | | 373,821 |
| Deferred revenues - unavailable | _ | 1,697,638 |
| General: | | |
| Recreation deposits | | 38,171 |
| Miscellaneous deposits | | 4,810 |
| Nonmajor government: | | |
| Miscellaneous | | 12,731 |
| Deferred revenues - unearned | | 55,712 |
| Total deferred revenues | \$ | 1,753,350 |

5. CAPITAL ASSETS

A summary of the changes in capital assets for governmental activities for the fiscal year ended September 30, 2011, is as follows:

| | Beginning Balance | Increases | Transfers/ Decreases | Ending Balance |
|-----------------------------------------------|----------------------|----------------|----------------------|-------------------|
| Governmental activities: | | | | |
| Capital assets - not being depreciated: | | | | |
| Land | \$ 3,703,301 | \$ - | \$ - | \$ 3,703,301 |
| Street/Alley ROW | 14,072,949 | - | - | 14,072,949 |
| Construction in progress | 9,726,581 | 2,101,076 | (1,170,053) | 10,657,604 |
| Total assets not being depreciated | 27,502,831 | 2,101,076 | (1,170,053) | 28,433,854 |
| Capital assets - being depreciated: | | | | |
| Buildings | 35,157,750 | 522,815 | 466,140 | 36,146,705 |
| Infrastructure | 152,670,744 | 51,556 | 692,881 | 153,415,181 |
| Equipment and furniture | 7,153,586 | 954,750 | (345,058) | 7,763,278 |
| Capitalized leases | 2,200,669 | 492,206 | (350,686) | 2,342,189 |
| Total capital assets - being depreciated | 197,182,749 | 2,021,327 | 463,277 | 199,667,353 |
| Less accumulated depreciation: | | | | |
| Buildings | 8,482,714 | 933,294 | - | 9,416,008 |
| Infrastructure | 53,922,274 | 4,506,975 | (11,032) | 58,418,217 |
| Equipment and furniture | 4,940,173 | 975,792 | (342,692) | 5,573,273 |
| Capitalized leases | 1,975,861 | 145,192 | (336,370) | 1,784,683 |
| Total accumulated depreciation | 69,321,022 | 6,561,253 | (690,094) | 75,192,181 |
| Total capital assets - being depreciated, net | 127,861,727 | (4,539,926) | 1,153,371 | 124,475,172 |
| Governmental activities capital assets, net | \$ 155,364,558 | \$(2,438,850) | \$(16,682) | \$ 152,909,026 |

5. CAPITAL ASSETS (Continued)

A summary of the changes in capital assets for business-type activities for the fiscal year ended September 30, 2011, is as follows:

| | Beginning Balance | Increases | Increases Transfers/ Decreases | | |
|-----------------------------------------------|----------------------|--------------|--------------------------------|--------------|--|
| Business-type activities: | | | | | |
| Capital assets - not being depreciated: | | | | | |
| Land | \$ 945,186 | \$ - | \$ - | \$ 945,186 | |
| Construction in progress | 2,120,020 | 3,173,585 | (1,605,553) | 3,688,052 | |
| Total assets not being depreciated | 3,065,206 | 3,173,585 | (1,605,553) | 4,633,238 | |
| Capital assets - being depreciated: | | | | | |
| Water line replacements | 14,371,775 | - | - | 14,371,775 | |
| Water and sewer system | 73,961,804 | 177,906 | 928,116 | 75,067,826 | |
| Drainage system | 10,587,774 | 297,828 | 677,437 | 11,563,039 | |
| Improvements | 8,950 | - | - | 8,950 | |
| Equipment acquired under capital lease | 111,425 | - | - | 111,425 | |
| Equipment and furniture | 1,034,212 | 157,539 | (22,674) | 1,169,077 | |
| Total capital assets - being depreciated | 100,075,940 | 633,273 | 1,582,879 | 102,292,092 | |
| Less accumulated depreciation: | | | | | |
| Water line replacements | 6,107,659 | 408,565 | - | 6,516,224 | |
| Water and sewer system | 31,966,880 | 1,869,595 | - | 33,836,475 | |
| Drainage system | 1,476,168 | 433,623 | - | 1,909,791 | |
| Improvements | 7,164 | 895 | - | 8,059 | |
| Equipment acquired under capital lease | 111,425 | - | - | 111,425 | |
| Equipment and furniture | 779,361 | 137,385 | (22,674) | 894,072 | |
| Total accumulated depreciation | 40,448,657 | 2,850,063 | (22,674) | 43,276,046 | |
| Total capital assets - being depreciated, net | 59,627,283 | (2,216,790) | 1,605,553 | 59,016,046 | |
| Business-type activities capital assets, net | \$62,692,489 | \$ 956,795 | \$ | \$63,649,284 | |

5. **CAPITAL ASSETS** (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

| Governmental activities: | |
|--------------------------------|---------------------|
| General government | \$ 584,242 |
| Public safety | 978,087 |
| Development services | 4,450,940 |
| Parks and leisure services | 129,239 |
| Library services | 490 |
| Finance | 401,211 |
| Information technology | 17,044 |
| Total governmental activities | \$ <u>6,561,253</u> |
| Business-type activities: | |
| Water and sewer | \$ 2,227,638 |
| Drainage | 604,148 |
| Sanitation | 18,277 |
| Total business-type activities | \$ 2,850,063 |

Future expenditures for capital projects will be funded from unexpended and undrawn bond proceeds. In 2003, \$32,275,000 of various General Obligation Bonds were authorized and \$29,625,000 have been issued as of September 30, 2011.

Discretely Presented Component Units

A summary of changes in capital assets for the DeSoto Park Development Corporation (DPDC) is as follows:

| | Beginning Balance | Increases | Transfers/ Decreases | Ending Balance | |
|-----------------------------------------------------------------------------------------|----------------------|----------------------|-------------------------|-------------------|--|
| DeSoto Park Development Corporation: Capital assets - not being depreciated: Land | \$11,250 | \$ <u> </u> | \$ | \$ <u>11,250</u> | |
| Total assets not being depreciated | 11,250 | | | 11,250 | |
| Capital assets - being depreciated: Improvements | 5,324,530 | | | 5,324,530 | |
| Total capital assets - being depreciated | 5,324,530 | | | 5,324,530 | |
| Less accumulated depreciation: Improvements | 2,270,617 | 150,707 | | 2,421,324 | |
| Total accumulated depreciation | 2,270,617 | 150,707 | | 2,421,324 | |
| Total capital assets - being depreciated | 3,053,913 | (150,707) | | 2,903,206 | |
| DeSoto Park Development Corporation capital assets, net | \$3,065,163 | \$ <u>(150,707)</u> | \$ | \$ | |

Depreciation expense was \$150,707.

5. CAPITAL ASSETS (Continued)

Discretely Presented Component Units (Continued)

A summary of changes in capital assets for the DeSoto Economic Development Corporation (DEDC) is as follows:

| | Beginning Balance | | Inc | Increases | | ansfers/ creases | Ending Balance | |
|------------------------------------------------------------------------------------------------------------|-------------------|------------------|-----|-----------|------------|---------------------|-------------------|------------------|
| DeSoto Economic Development Corporation: Capital assets - being depreciated: Furniture and equipment | \$ | 69,879 | \$ | <u>-</u> | \$ | <u>-</u> | \$ | 69,879 |
| Total capital assets - being depreciated | | 69,879 | | - | | | | 69,879 |
| Less accumulated depreciation: Furniture and equipment | | 69,879 | | | | | | 69,879 |
| Total accumulated depreciation Total capital assets - being depreciated | | 69,879 69,879 | | | | | | 69,879 69,879 |
| DeSoto Economic Development Corporation capital assets, net | \$ | - | \$ | - | \$ <u></u> | | \$ | - |

Depreciation expense was \$0, as all depreciable assets were fully depreciated during the fiscal year ended September 30, 2006.

Construction Commitments

The City has active construction projects as of September 30, 2011. At year-end the City's commitments with contractors for specific projects are as follows:

| Street improvements | \$ 4,964,029 |
|---------------------|--------------|
| Drainage | 5,273 |
| Water and sewer | 369,065 |
| Sidewalks | 115,000 |
| | |
| Total commitments | \$ 5,453,367 |

6. LONG-TERM LIABILITIES

The following is a summary of transactions affecting long-term liabilities for the year ended September 30, 2011:

| | | Balance 10/01/10 | | | Decreases | | | Balance 09/30/11 | Due Within One Year | |
|----------------------------|----|---------------------|----|-----------|-------------|------------|---------------------|---------------------|------------------------|-----------|
| Governmental activities: | | | | | | | | | | |
| General obligation bonds | \$ | 59,120,223 | \$ | 1,275,000 | \$(| 5,021,573) | \$ | 55,373,650 | \$ | 3,727,226 |
| Certificates of obligation | | 21,250,000 | | 1,645,000 | (| 900,000) | | 21,995,000 | | 940,000 |
| Loss on bond refunding | (| 1,053,050) | (| 36,735) | | 91,408 | (| 998,377) | (| 91,408) |
| Bond premium | | 1,662,956 | | 117,476 | (| 119,877) | | 1,660,555 | | 119,877 |
| Accreted interest | | 123,623 | | - | (| 123,623) | | - | | - |
| Note payable | | 1,095,104 | | - | (| 203,064) | | 892,040 | | 213,114 |
| Capital leases | | 188,241 | | 394,406 | (| 63,879) | | 518,768 | | 108,680 |
| Compensated absences | | 4,339,764 | | 1,486,760 | (| 1,511,363) | | 4,315,161 | | 1,078,790 |
| Arbitrage liability | | 98,015 | | - | (| 98,015) | | - | | - |
| TMRS obligation | _ | 574,134 | _ | 8,063 | | | | 582,197 | _ | |
| Total | \$ | 87,399,010 | \$ | 4,889,970 | \$ <u>(</u> | 7,949,986) | \$ | 84,338,994 | \$ | 6,096,279 |
| | | Balance 10/01/10 | | Increases | 1 | Decreases | Balance 09/30/11 | | Due Within One Year | |
| Business-type activities: | | | | | | | | | | |
| Certificates of obligation | \$ | 13,125,000 | \$ | 2,980,000 | \$(| 425,000) | \$ | 15,680,000 | \$ | 680,000 |
| 2003 GO Refunding Bonds | | 47,967 | | - | (| 47,967) | | - | | - |
| 2005 GO Refunding Bonds | | 1,098,487 | | 343,513 | (| 176,000) | | 1,266,000 | | 276,000 |
| 2009 GO Refunding Bonds | | 66,379 | | - | (| 6,028) | | 60,351 | | 6,774 |
| Bond premium | | 111,513 | | 97,896 | (| 10,932) | | 198,477 | | 10,932 |
| Compensated absences | | 195,645 | | 106,089 | (| 84,612) | | 217,122 | | 54,281 |
| TMRS obligation | _ | 48,712 | | - | | <u> </u> | _ | 48,712 | _ | |
| Total | \$ | 14,693,703 | \$ | 3,527,498 | \$ <u>(</u> | 750,539) | \$ | 17,470,662 | \$ | 1,027,987 |

For governmental activities, the TMRS obligation and compensated absences are generally liquidated by the General Fund.

| | | Balance 10/01/10 | | | Balance 09/30/11 | | Due Within One Year | | | |
|----------------------------------------------------------------------------------|----|---------------------|----|-----------|------------------|------------|------------------------|-----------|----|--------------|
| Component units: DPDC: 1997 Sales Tax Revenue Bonds 2011 Revenue Refunding Bonds | \$ | 1,955,000 | \$ | 1,925,000 | \$(| 1,955,000) | \$ | 1,925,000 | \$ | - 145,000 |
| Total | \$ | 1,955,000 | \$ | 1,925,000 | \$ <u>(</u> | 1,955,000) | \$ | 1,925,000 | \$ | 145,000 |
| DEDC: | | | | | | | | | | |
| 1998 Sales Tax Revenue Bonds | \$ | 2,810,000 | \$ | - | \$(| 2,810,000) | \$ | - | \$ | - |
| 2011 Revenue Refunding Bonds | | - | | 2,745,000 | | - | | 2,745,000 | | 175,000 |
| Premium on bond issuance | | - | | 52,044 | (| 3,717) | | 48,327 | | 3,717 |
| Deferred loss on refunding | | - | (| 21,383) | | 1,645 | (| 19,738) | (| 1,645) |
| Note to City of DeSoto | _ | 260,906 | _ | 158,865 | (| 48,881) | _ | 370,890 | _ | 209,217 |
| Total | \$ | 3,070,906 | \$ | 2,934,526 | \$ <u>(</u> | 2,860,953) | \$ | 3,144,479 | \$ | 386,289 |

General obligation bonds, revenue bonds, certificates of obligation, and notes payable outstanding at September 30, 2011, consist of the following individual issues:

| Governmental activities: | Interest Rate | Maturity Date | Outstanding | Due Within One Year |
|-----------------------------|------------------|---------------|----------------------|---------------------|
| General obligation bonds: | | | | |
| 2001 General Obligation | 5.125%-6.375% | 02/15/21 | \$ 1,905,000 | \$ 55,000 |
| 2002 General Obligation | 4.25%-6.25% | 02/15/22 | 1,490,000 | 120,000 |
| 2004 General Obligation | 3.0%-4.50% | 02/15/24 | 2,840,000 | 185,000 |
| 2005 Refunding and | | | ,, | , |
| Improvement | 3.0%-5.0% | 02/15/25 | 23,529,000 | 1,564,000 |
| 2006 General Obligation | 3.750%-4.25% | 02/15/26 | 6,085,000 | 315,000 |
| 2007 General Obligation | 4.0%-4.375% | 02/15/27 | 5,285,000 | 240,000 |
| 2008 General Obligation | 3.25%-4.0% | 02/15/28 | 4,350,000 | 190,000 |
| 2009 General Obligation | | | | |
| and Refunding | 3.0%-4.5% | 02/15/29 | 7,879,650 | 818,226 |
| 2010 Refunding | 2.0% | 02/15/14 | 735,000 | 240,000 |
| 2011 Refunding | 2.0%-4.0% | 02/15/21 | 1,275,000 | - |
| - | | | | |
| Total general obligation b | onds | | \$ 55,373,650 | \$ 3,727,226 |
| 6 | | | | |
| | Interest | Maturity | | Due Within |
| Governmental activities: | Rate | Date | Outstanding | One Year |
| | | | | |
| Certificates of obligation: | | | | |
| 2001 Tax and Revenue | 4.55%-5.50% | 0/15/22 | \$ 2,330,000 | \$ 195,000 |
| 2002 Tax and Revenue | 4.25%-5.25% | 02/15/22 | 2,860,000 | 230,000 |
| 2003 Tax and Revenue | 3.0%-4.75% | 02/15/23 | 460,000 | 35,000 |
| 2005 Tax and Revenue | 3.0%-4.5% | 02/15/25 | 390,000 | 20,000 |
| 2006 Tax and Revenue | 3.750%-4.25% | 02/15/27 | 430,000 | 25,000 |
| 2007 Tax and Revenue | 4.0%-4.375% | 02/15/27 | 1,865,000 | 85,000 |
| 2007A Tax and Revenue | | | | |
| (Tax exempt) | 4.0%-4.25% | 02/15/27 | 3,565,000 | 160,000 |
| 2007A Tax and Revenue | | | | |
| (Taxable) | 4.0%-4.5% | 02/15/27 | 2,730,000 | 105,000 |
| 2008 Tax and Revenue | 2.8%-4.0% | 02/15/28 | 715,000 | 30,000 |
| 2009 Tax and Revenue | 3.0%-4.5% | 02/15/29 | 5,005,000 | 45,000 |
| 2011A Tax and Revenue | 4.75%-5.75% | 02/15/31 | 845,000 | 10,000 |
| 2011B Tax and Revenue | 2.0% | 02/15/31 | 800,000 | |
| | | | | |
| Total certificates of oblig | ation | | \$ <u>21,995,000</u> | \$ 940,000 |
| Total bonds and certificat | tes | | \$ 77,368,650 | \$_4,667,226 |

| Business-type activities | Interest Rate | | Outstanding | Due Within One Year | |
|-----------------------------|------------------|----------|---------------|---------------------|--|
| Certificates of obligation: | | | | | |
| 2002 Tax and Revenue | 4.25%-5.25% | 02/15/22 | \$ 690,000 | \$ 50,000 | |
| 2003 Tax and Revenue | 3.0%-4.75% | 02/15/23 | 725,000 | 45,000 | |
| 2004 Tax and Revenue | 3.0%-4.50% | 02/15/24 | 760,000 | 45,000 | |
| 2005 Tax and Revenue | 3.0%-4.50% | 02/15/25 | 1,190,000 | 65,000 | |
| 2006 Tax and Revenue | 3.750%-4.25% | 02/15/27 | 855,000 | 45,000 | |
| 2009 Tax and Revenue | 3.0%-4.5% | 02/15/29 | 3,680,000 | 150,000 | |
| 2010 Tax and Revenue | 2.0%-4.125% | 02/15/30 | 4,800,000 | 185,000 | |
| 2011B Tax and Revenue | 2.0% | 02/15/31 | 2,980,000 | 95,000 | |
| General obligation bonds: | | | | | |
| 2005 Refunding Bonds | 3.0%-5.0% | 02/15/29 | 1,266,000 | 276,000 | |
| 2009 Refunding Bonds | 3.0%-4.5% | 02/15/29 | 60,351 | 6,774 | |
| Total certificates and bond | ds | | \$_17,006,351 | \$962,774 | |

The annual requirements to amortize the long-term debt as of September 30, 2011, are as follows:

| | | | Governmenta | l Activi | ities | | | Business | s-type Act | ivities |
|-----------|------------------|------|-------------|----------|-----------|---------|----------|------------------|------------|-----------|
| Fiscal | Во | onds | | | Notes 1 | Payable | е | | Bonds | |
| Year | Principal | | Interest | | Principal | | Interest | Principal | | Interest |
| 2012 | \$ 4,667,226 | \$ | 3,334,262 | \$ | 213,114 | \$ | 24,379 | \$ 962,774 | \$ | 675,204 |
| 2013 | 5,131,139 | | 3,115,385 | | 219,579 | | 17,913 | 1,008,861 | | 622,818 |
| 2014 | 5,378,804 | | 2,903,988 | | 226,241 | | 11,251 | 1,051,196 | | 586,201 |
| 2015 | 5,578,664 | | 2,676,997 | | 233,106 | | 4,387 | 1,156,336 | | 544,543 |
| 2016 | 5,757,426 | | 2,433,965 | | - | | - | 792,575 | | 507,924 |
| 2017-2021 | 30,255,391 | | 8,179,243 | | - | | - | 4,354,609 | | 2,061,052 |
| 2022-2026 | 16,625,000 | | 2,541,136 | | - | | - | 4,550,000 | | 1,109,306 |
| 2027-2031 | 3,975,000 | | 237,868 | | | | - | 3,130,000 | | 271,248 |
| | | | | | | | | | | |
| Total | \$ 77,368,650 | \$ | 25,422,844 | \$ | 892,040 | \$ | 57,930 | \$ 17,006,351 | \$ | 6,378,296 |

The annual requirements to amortize the long-term debt for component units as of September 30, 2011, are as follows:

| | | DP | DC | | DEDC | | | | | | | |
|-----------|----|-----------|-----|----------|------|-----------|----|----------|----|-----------|----|----------|
| Fiscal | | Bor | nds | | | Bonds | | | | Notes | | |
| Year | | Principal | | Interest | | Principal | | Interest | | Principal | | Interest |
| 2012 | \$ | 145,000 | \$ | 61,600 | \$ | 175,000 | \$ | 92,350 | \$ | 209,217 | \$ | 7,956 |
| 2013 | | 150,000 | | 58,650 | | 175,000 | | 88,850 | | 52,062 | | 4,657 |
| 2014 | | 155,000 | | 55,600 | | 185,000 | | 84,788 | | 53,860 | | 2,859 |
| 2015 | | 160,000 | | 51,650 | | 185,000 | | 79,700 | | 55,751 | | 969 |
| 2016 | | 165,000 | | 46,775 | | 195,000 | | 73,512 | | - | | - |
| 2017-2021 | | 935,000 | | 139,050 | | 1,075,000 | | 256,975 | | - | | - |
| 2022-2024 | _ | 215,000 | _ | 4,300 | _ | 755,000 | _ | 45,900 | _ | | | |
| Total | \$ | 1,925,000 | \$ | 417,625 | \$ | 2,745,000 | \$ | 722,075 | \$ | 370,890 | \$ | 16,441 |

Issuance of Bonds

In 2011, the City issued \$845,000 in taxable certificates of obligation (Series 2011A), with interest rates ranging from 4.75% to 5.75%. These bonds are recorded as debt within the Governmental Activities. The proceeds from the sale of the taxable certificates of obligation will be used for constructing, improving and equipping an air navigation facility. In 2011, the City also issued \$3,780,000 in tax exempt certificates of obligation (Series 2011B), with interest rates ranging from 2.0% to 4.0%. \$2,980,000 of these bonds is recorded as Enterprise Fund debt recorded within the Water and Sewer Fund and \$800,000 of these bonds is recorded in the Governmental Activities. The proceeds from the sale of the tax exempt certificates of obligation will be used for the purpose of improving and extending the City's waterworks and sewer system, improving and equipping park and recreational facilities, constructing street improvements, and for the acquisition of land and right-of-way.

Bond Refunding

On June 7, 2011, the City issued \$1,275,000 of General Obligation Refunding Bonds, Series 2011. The net proceeds from the issuance of the bonds were used to purchase U. S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments. A deposit of \$1,338,613 was made to the escrow account to provide for the current refunding of \$168,255 of the Series 2000 General Obligation Bonds and \$1,010,000 of the Series 2001 General Obligation Bonds. These funds were placed in escrow until the call date of July 7, 2011, as stipulated in the old debt agreements. The current refunded bonds are considered legally defeased and the liability for these bonds has been removed. The reacquisition price exceeded the net carrying amount of the old debt by \$36,735. The City refunded the bonds to reduce its total debt service payments by \$175,325 and to obtain an economic gain of \$144,034 (present value). The book loss on this refunding was \$36,735.

On March 8, 2011, the DEDC issued \$2,745,000 of Sales Tax Revenue Refunding Bonds, Series 2011. The net proceeds from the issuance of the bonds were used to purchase U. S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments. A deposit of \$2,681,383 was made to the escrow account to provide for the current refunding of \$2,660,000 of the Series 1998 Sales Tax Revenue Bonds. These funds were placed in escrow until the call date of April 18, 2011, as stipulated in the old debt agreements. The current refunded bonds are considered legally defeased and the liability for these bonds has been removed. The reacquisition priced exceeded the net carrying amount of the old debt by \$21,383. DEDC refunded the bonds to reduce its total debt service payments by \$102,772 and to obtain an economic gain of \$80,579 (present value). The book loss on this refunding was \$21,383.

Bond Refunding (Continued)

On February 11, 2011, the DPDC issued \$1,925,000 of Sales Tax Revenue Refunding Bonds, Series 2011. The net proceeds from the issuance of the bonds were used to purchase U. S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments. A deposit of \$1,847,790 was made to the escrow account to provide for the current refunding of escrow until the call date of March 14, 2011, as stipulated in the old debt agreements. The current refunded bonds are considered legally defeased and the liability for these bonds has been removed. The reacquisition price exceeded the net carrying amount of the old debt by \$7,790. DEDC refunded the bonds to reduce its total debt service payments by \$106,316 and to obtain an economic gain o \$84,436 (present value). The book loss on this refunding was \$7,790.

Authorized but Unissued

At September 30, 2011, the City had authorized, but unissued \$2,650,000 of general obligation bonds.

7. CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of various equipment. These leases qualify as capital leases and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Governmental Activities

The cost of equipment is \$1,049,558 accumulated depreciation is \$492,052 and carrying value is \$557,506 as of September 30, 2011.

The following is a schedule of the future minimum lease payments under these agreements and the present value of the net minimum lease payments at September 30, 2011:

| Fiscal Year | Amount |
|-----------------------------------|------------|
| | |
| 2012 | \$ 132,003 |
| 2013 | 119,878 |
| 2014 | 59,430 |
| 2015 | 59,430 |
| 2016 | 59,430 |
| 2017-2019 | 178,290 |
| Minimum lease payments | 608,461 |
| Less amount representing interest | 89,693 |
| Total | \$518,768 |

8. INTERFUND PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2011, is as follows:

Due to/from Other Funds

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------------------|--------------|
| General | Nonmajor governmental funds | \$ 14,853 |
| | | \$ 14,853 |

The receivable to the General Fund from the Homeland Security Grant Fund is for a temporary cash overdraft.

Interfund Transfers

| | | | | | Tra | nsfers from | | |
|-----------------------|----|---------|-----|----------|-----|-------------|---------------------|--------------|
| | | | | Street | N | Vonmajor | Water/ | |
| | | General | Imp | rovement | Go | vernmental | Sewer | Total |
| Transfers to: | | | | | | | | |
| General | \$ | - | \$ | - | \$ | 1,233 | \$ 1,651,170 | \$ 1,652,403 |
| Debt service | | - | | 306 | | 397,472 | - | 397,778 |
| Street improvement | | 615,170 | | - | | - | - | 615,170 |
| Nonmajor governmental | _ | 275,850 | | | | 40,434 | | 316,284 |
| Total | \$ | 891,020 | \$ | 306 | \$ | 439,139 | \$ <u>1,651,170</u> | \$ 2,981,635 |

The transfers were for the following purposes:

| Transfer from | Transfer to | Amount | Purpose |
|---------------------------------|------------------------------------------------------------------------|---------------------------------|-------------------------------------------------------------------------------------|
| General | Street improvement Regional jail Public facilities capital improvement | \$ 615,170 240,850 35,000 | Street improvements 1/3 of regional jail expenditures Facility improvements |
| Street improvement | Debt service | 306 | To close funds to debt service |
| Municipal court | Public facilities capital improvement General | 40,434 881 | Facility improvements Maintenance and equipment |
| Police seized | General | 352 | Maintenance and equipment |
| Hotel occupancy | Debt service | 54,450 | To close funds to debt service |
| Parks capital improvement | Debt service | 188,441 | To close funds to debt service |
| Facilities capital improvements | Debt service | 154,581 | To close funds to debt service |
| Water and sewer | General | 1,651,170 | PILOT, franchise fees, energy management grant, and maintenance and equipment |
| Total | | \$ 2,981,635 | |

9. RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

| | Plan Year 2011 | Plan Year 2010 | Plan Year 2009 |
|-------------------------------------|-----------------|-----------------|-----------------|
| Employee deposit rate | 7.0% | 7.0% | 7.0% |
| Matching ratio (city to employee) | 1.5 to 1 | 1.5 to 1 | 2 to 1 |
| Years required for vesting | 5 | 5 | 5 |
| Service retirement eligibility | | | |
| (expressed as age/years of service) | 60/5, 0/20 | 60/5, 0/20 | 60/5, 0/20 |
| Updated service credit | 100% repeating, | 100% repeating, | 100% repeating, |
| | transfers | transfers | transfers |
| Annuity increase (to retirees) | 70% of CPI | 70% of CPI | 70% of CPI |
| | repeating | repeating | repeating |

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

9. **RETIREMENT PLAN** (Continued)

Plan Description (Continued)

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation are as follows:

| | | | Fiscal Year | |
|----------------------------|--------------|--------------|--------------|--------------|
| | | 2011 | 2010 | 2009 |
| Annual Required Contribu | ition (ARC) | \$ 2,785,993 | \$ 2,867,883 | \$ 2,843,372 |
| Interest on Net Pension Ob | bligation | 46,713 | 33,425 | - |
| Adjustment to the ARC | | (38,650) | (27,213) | <u> </u> |
| Annual Pension Cost | | 2,794,056 | 2,874,095 | 2,843,372 |
| Contributions Made | | (2,785,993) | (2,696,902) | (2,397,719) |
| Increase in Net Pension O | bligation | 8,063 | 177,193 | 445,653 |
| Net Pension Obligation, be | eginning | 622,846 | 445,653 | |
| Net Pension Obligation, en | nding | \$ 630,909 | \$ 622,846 | \$ 445,653 |
| Fiscal | Annual | Actual | Percentage | Net |
| Year | Pension | Contribution | of APC | Pension |
| Ending | Cost (APC) | Made | Contributed | Obligation |
| 09/30/09 | \$ 2,843,372 | \$ 2,397,719 | 84.33% | \$ 445,653 |
| 09/30/10 | 2,874,095 | 2,696,902 | 93.83% | 622,846 |
| 09/30/11 | 2,794,056 | 2,785,993 | 99.71% | 630,909 |
| | | | | |

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

| Valuation date | 12/31/10 - Restructured | 12/31/10 - Prior to Restructuring | 12/31/09 | 12/31/08 |
|---------------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Actuarial cost method Amortization method GASB 25 equivalent single | Projected unit credit Level percent of payroll 27.1 years | Projected unit credit Level percent of payroll 27 years | Projected unit credit Level percent of payroll 28 years | Projected unit credit Level percent of payroll 29 years |
| amortization period | closed period | closed period | closed period | closed period |
| Amortization period for new gains/losses Asset valuation method | 30 years 10-yr. smoothed market | 30 years 10-yr. smoothed market | 30 years 10-yr. smoothed market | 30 years Amortized cost |
| Actuarial assumptions: | | | | |
| Investment rate of return* | 7.0% | 7.5% | 7.5% | 7.5% |
| Projected salary increases* | Varies by age and service | Varies by age and service | Varies by age amd service | Varies by age and market |
| *Includes inflation at | 3.00% | 3.00% | 3.00% | 3.00% |
| Cost of living adjustments | 2.1% | 2.1% | 2.1% | 2.1% |

9. RETIREMENT PLAN (Continued)

Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio (a/b) | Unfunded AAL (UAAL) (b-a) | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|------------------------------------------------|------------------------------------|------------------------------------|--------------------------|------------------------------------|------------------------------------|-----------------------------------------|
| 12/31/10 ¹ 12/31/10 ² | (a) \$ 51,376,528 70,316,875 | (b) \$ 68,620,683 82,701,569 | 74.87% 85.02% | \$ 17,244,155 12,384,694 | (c) \$ 18,199,826 18,199,826 | (b-a)/(c) 94.75% 68.05% |

¹Actuarial valuation performed under the original fund structure.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

²Actuarial valuation performed under the new fund structure.

10. POSTRETIREMENT BENEFITS

Supplemental Death Benefits

The City participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance to provide group term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Schedule of Contributions

| _ | Year | al Required ntribution | Annual Contribution Made | | Percentage of ARC Contributed | Net OPEB Obligation | |
|---|------|------------------------|---------------------------|-------|-------------------------------|------------------------|---|
| | 2009 | \$ 3,493 | \$ | 3,493 | 100% | \$ | - |
| | 2010 | 3,624 | | 3,624 | 100% | | - |
| | 2011 | 3,631 | | 3,631 | 100% | | _ |

In addition to providing pension benefits, retired employees are entitled to elect continuation coverage under the City's group accident and health insurance plan. Retired employees are responsible for payment of premiums. There are no other significant postretirement benefits or costs related to the coverage continuation.

Health Insurance

In addition to providing pension benefits, retired employees are entitled to elect continuation coverage under the City's group accident and health insurance plan. The City revised its health care plan which requires that retirees pay the full cost of their health care as determined by the City's health care provider. The health care provider segregates the retired employees and calculates the healthcare costs for that group. Therefore, the City does not have an implicit cost for retired employees' health care coverage and no liability for postretirement benefits.

11. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with IRC 457. The plan, available to all permanent City employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are solely the property and rights of the participants. Participants' rights under the plan are in an amount equal to the fair market value of the deferred account for each participant. Investments that are held by an outside trustee in the deferred compensation plan are not reported in the City's financial statements as the City maintains no fiduciary responsibility for such assets.

12. COMMITMENTS AND CONTINGENCIES

Trinity River Authority of Texas

In November 1983, the City and other area municipalities entered into a contract with the Trinity River Authority (the "Authority") for utilization of the Authority's sewer transmission and treatment facilities. Under the contract, the City is required to pay a portion of the annual cash requirement to operate the facility determined by dividing the actual number of gallons discharged into the system by the City by the total number of gallons discharged by all of the participating cities. Accordingly, the future obligations of the City in connection with the contract cannot be estimated since payment varies in direct relationship to gallons discharged. The City has no ownership interest in the Authority or in conjunction with other participating cities.

Total payments made by the City under the contract amounted to \$3,646,643 for 2011. The payments are reflected in the accompanying statement of revenues, expenses and changes in fund net assets of the Water and Sewer Fund. Under the terms of the contract, the City is obligated to make payments for the use of the facilities for the life of the facilities. Further, revenue of the Water and Sewer Fund are pledged to support payments due the Authority in accordance with the terms of the contract. Such payments are considered operating expenses and, therefore, have priority over principal and interest due on revenue bonds.

State and Federal Programs

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. In the opinion of management of the City, disallowed costs, if any, would not be material.

12. COMMITMENTS AND CONTINGENCIES (Continued)

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2010, the City purchased commercial insurance to cover these general liabilities from the Texas Municipal League Risk Pool ("TML"). The City pays an annual premium to TML for such coverage. TML purchases reinsurance and the City does not retain the risk of losses. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in each of the past three fiscal years.

Conduit Debt Obligation

In prior years, the DeSoto Health Facilities Development Corporation, DeSoto Housing Finance Corporation and DeSoto Industrial Development Authority, Inc. issued revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of health facilities, housing facilities and industrial development projects, respectively, deemed to be in the public interest. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not recorded as liabilities in the accompanying financial statements.

A summary of outstanding conduit bonds by component unit at September 30, 2011, follows:

| Series | Ho | DeSoto Industrial Development Authority | | | | |
|--------|----|-----------------------------------------|------|----------|--|--|
| 1998 | \$ | 10,805,000 | \$ | - | | |
| 2000 | | - | 7 | ,050,000 | | |
| 2004 | | 9,400,000 | | - | | |
| 2008 | _ | - | 3 | ,613,446 | | |
| Total | \$ | 20,205,000 | \$10 | ,663,446 | | |

DEDC

The DEDC signed an agreement with the City in fiscal year 1995 to pay semiannual service installments to the City over a 20-year period when the City issued certain certificates of obligation (the Certificates). The City issued the Certificates in fiscal year 1996. The DEDC paid principal and interest totaling \$56,719 to the City in fiscal year 2011. Additionally, the DEDC signed and agreement with the City in November 2010 whereby the DEDC agreed to pay a portion of the debt service payments of the City's 2010 series certificates of obligation in an amount equal to the total cost of the water and sewer line improvements made to the Eagle Industrial Park by the City. The final agreed upon balance owed to the City is \$158,865.

12. COMMITMENTS AND CONTINGENCIES (Continued)

Conduit Debt Obligation (Continued)

As of September 30, 2011, the DEDC had approved several grants totaling approximately \$1,748,509 payable in subsequent years, to certain businesses in the City. The payments of the grants are contingent on the businesses remaining in the City. Total long-term grant commitments as of September 30, 2011, are \$1,748,509.

DEDC grant commitments are scheduled as follows:

| Fiscal Year | Amount |
|-------------|---------------------|
| | |
| 2012 | \$ 792,309 |
| 2013 | 216,600 |
| 2014 | 206,600 |
| 2015 | 106,600 |
| 2016 | 106,600 |
| 2017-2019 | 319,800 |
| | |
| Total | \$ <u>1,748,509</u> |

Other Contingencies

There are other claims and pending actions incident to normal operations of the City. In the opinion of the City management and based on consultation with the City's attorney, the City's potential liability in these matters will not have a material impact on the financial statements.

13. JOINT VENTURES

The Regional Dispatch Center (the Center) provides police, fire, medical aid and emergency service communications to participating cities. The Center's Management Committee is comprised of each of the participating cities' City Manager or their designee. During fiscal year 2011, the City contributed \$877,565 to the operations of the Center. The City has a one-third share in the equity of the Center, accounted for in the government wide statement of net assets. The value of the City's share in the equity of the facility as of September 30, 2011, is \$992,573. The Center issues separate financial statements available from the City's Financial Department.

The City also entered into an annually renewable Interlocal Cooperation agreement with the cities of Cedar Hill and Duncanville on September 3, 1991, to establish a Regional Animal Control Shelter facility ("facility"). The facility's Management Committee is comprised of each of the participating cities' City Manager or their designee. During the fiscal year 2011, the City contributed \$154,060 to the operations of the facility. The City has a one-third share in the equity of the facility, accounted for in the government wide statement of net assets. The value of the City's share in the equity of the facility as of September 30, 2011, is \$366,034.

The financial statements of the facility can be obtained by contacting: City of Cedar Hill Finance Department, P. O. Box 96, Cedar Hill, TX 75106-0096.

14. SUBSEQUENT EVENT

On November 1, 2011, DEDC entered into an agreement with the City whereby DEDC has agreed to pay \$420,000 of debt service costs related to the City's Series 2011 Certificates of Obligation. Additionally, on this same day, the City agreed to purchase the land held for sale by DEDC. The land and the certificates of obligation will be used in the construction of the City's heliport.

15. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The implementation of this statement resulted in the City restating beginning fund balances of its governmental funds, as follows:

| | General | Other Governmental |
|----------------------------------|---------------------|--------------------|
| Beginning fund balance | \$ 7,185,834 | \$ 4,397,088 |
| Reclassification of funds | 2,441,844 | (2,441,844) |
| Beginning fund balance, restated | \$ <u>9,627,678</u> | \$ 1,955,244 |

16. PRIOR PERIOD ADJUSTMENT

The total debt supported by the Drainage Fund was not properly reported within that fund in prior periods. This resulted in an overstatement of net assets within the Drainage Fund and an understatement of net assets within the governmental activities. The effect of the current year restatement will reduce beginning net assets in the Drainage Fund by \$343,513 and an increase in the beginning net assets of the governmental activities of \$343,513.



REQUIRED SUPPLEMENTARY INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS FOR PARTICIPATION IN TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2011

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Percentage Funded | Unfunded Actuarial Accrued Liability | Annual Covered Payroll | Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|-----------------------------------|----------------------|--------------------------------------|------------------------------|-------------------------------------------------------------------------|
| 12/31/08 | 43,573,138 | 64,922,111 | 67.12% | 21,348,973 | 16,972,795 | 125.78% |
| 12/31/09 | 48,891,048 | 65,938,933 | 74.15% | 17,047,885 | 17,977,471 | 94.83% |
| 12/31/10 (1) | 51,376,528 | 68,620,683 | 74.87% | 17,244,155 | 18,199,826 | 94.75% |
| 12/31/10 (2) | 70,316,875 | 82,701,569 | 85.02% | 12,384,694 | 18,199,826 | 68.05% |

⁽¹⁾ Actuarial valuation performed under the original fund structure.

⁽²⁾ Actuarial valuation performed under the new fund structure.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The *Special Revenue Funds* are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

<u>Regional Jail</u> – to account for restricted revenues and expenditures of the regional jail operation utilized by the cities of DeSoto and Lancaster. The facilities house arrested persons for a maximum of 72 hours.

<u>Municipal Court Fund</u> – to account for municipal court fees collected through the court to provide for various municipal court security features or to enhance existing operations through technology.

<u>Police-Seized Funds</u> – Accounts for the revenue and expenditures related to the award of monies or property by the courts or federal government to the police department. The funds are expended for specified police department purposes.

Police Grant Fund – to account for grant funding received to support police operations.

<u>Homeland Security Grant Fund</u> – to account for grant funding received for homeland security purposes.

<u>Hotel Occupancy Tax Fund</u> – to account for tax revenue collected as a percentage of gross receipts for all hotel and motel temporary room rentals within the City. The funds are expended to promote tourism and culture in the City.

<u>Lone Star Library Grant</u> – to account for grant funding and related expenditures to support general library purposes.

<u>Health Facilities Development Corporation</u> – blended component unit whose purpose is to assist with the development of health care facilities for the maintenance of the public health in the City.

<u>Housing Finance Corporation</u> – blended component unit whose purpose is to assist with the financing of residential developments in the City.

<u>Industrial Development Authority</u>, <u>Inc.</u> – blended component unit whose purpose is to promote and develop commercial, industrial, manufacturing and medical research enterprises in the City.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities.

<u>Parks Capital Improvement Funds</u> – to account for the purchase and improvement of the City's parks. Financing is provided by general obligation bonds and contributions from developers.

<u>Public Facilities Capital Improvement Funds</u> – to account for the construction and improvement of various City facilities. Financing is provided by general obligation bonds, certificates of obligation and various contributions.

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

| | | Special Revenue | | | | | | | |
|-------------------------------------|------------------|-----------------|----|--------------------|----|--------------------|--|--|--|
| | Regional Jail | | | Aunicipal Court | | Police - Seized | | | |
| ASSETS | | | | | | | | | |
| Cash and investments | \$ | 296,658 | \$ | 314,863 | \$ | 77,685 | | | |
| Due from other governments | | - | | - | | - | | | |
| Accounts receivable | | | | | | | | | |
| Total assets | \$ | 296,658 | \$ | 314,863 | \$ | 77,685 | | | |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ | 2,236 | \$ | 258 | \$ | 12,365 | | | |
| Accrued liabilities | | 27,863 | | 878 | | - | | | |
| Due to other funds | | - | | - | | - | | | |
| Deferred revenue | | | | - | | 12,631 | | | |
| Total liabilities | | 30,099 | | 1,136 | | 24,996 | | | |
| Fund balances: | | | | | | | | | |
| Restricted: | | | | | | | | | |
| Public safety | | 266,559 | | 313,727 | | 52,689 | | | |
| Economic development | | - | | - | | - | | | |
| Culture and recreation | | - | | - | | - | | | |
| Capital projects | | - | | - | | - | | | |
| Committed: | | | | | | | | | |
| Public health | | - | | - | | - | | | |
| Development | | | | | | - | | | |
| Total fund balances | | 266,559 | | 313,727 | | 52,689 | | | |
| Total liabilities and fund balances | \$ <u></u> | 296,658 | \$ | 314,863 | \$ | 77,685 | | | |

Special Revenue Health Total Lone Star Homeland Facilities Housing Industrial Special Police Security Hotel Library Development Finance Development Revenue Authority Funds Grant Grant Occupancy Grant Corp. Corp. \$ \$ \$ 28,971 1,400,563 \$ 46,935 \$ 495,322 617 18,323 121,189 \$ 15,573 15,573 69,014 69,014 46,935 564,336 \$ 617 18,323 \$ 121,189 28,971 \$ 1,485,150 15,573 \$ \$ 720 \$ 5,689 \$ \$ \$ 79 \$ \$ 21,347 28,741 14,853 14,853 100 12,731 15,573 5,789 79 77,672 679,910 46,935 558,547 558,547 617 617 18,323 18,323 121,110 28,971 150,081 46,935 558,547 617 18,323 121,110 28,971 1,407,478 \$ 46,935 564,336 18,323 121,189 28,971 15,573 617 1,485,150

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Continued) SEPTEMBER 30, 2011

| | | | Ca | pital Projects | | | | |
|------------------------------------------------|------------|-------------|-------------|------------------------------------------------|------------|--------------------------------------|------------|-------------------------------------------|
| | | rks Capital | In | Public Facilities Capital approvement | | Total Capital Project Funds | | Total Nonmajor overnmental Funds |
| | | | | | | | | |
| ASSETS | | | | | | | | |
| Cash and investments | \$ | 180,030 | \$ | 1,146,822 | \$ | 1,326,852 | \$ | 2,727,415 |
| Due from other governments Accounts receivable | | - | | 1,036 | | 1,036 | | 15,573 70,050 |
| | _ | | _ | | _ | | _ | |
| Total assets | \$ <u></u> | 180,030 | \$ <u>_</u> | 1,147,858 | \$ <u></u> | 1,327,888 | \$ <u></u> | 2,813,038 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ | _ | \$ | _ | \$ | _ | \$ | 21,347 |
| Accrued liabilities | Ψ | _ | Ψ | _ | 4 | _ | Ψ | 28,741 |
| Due to other funds | | _ | | _ | | _ | | 14,853 |
| Deferred revenue | | - | | _ | | _ | | 12,731 |
| Total liabilities | _ | - | _ | - | _ | - | | 77,672 |
| Fund balances: | | | | | | | | |
| Restricted: | | | | | | | | |
| Public safety | | - | | - | | - | | 679,910 |
| Economic development | | - | | - | | - | | 558,547 |
| Culture and recreation | | - | | - | | - | | 617 |
| Capital projects | | 180,030 | | 1,147,858 | | 1,327,888 | | 1,327,888 |
| Committed: | | | | | | | | |
| Public health | | - | | - | | - | | 18,323 |
| Development | _ | | _ | | _ | | _ | 150,081 |
| Total fund balances | | 180,030 | _ | 1,147,858 | | 1,327,888 | | 2,735,366 |
| Total liabilities and fund balances | \$ | 180,030 | \$_ | 1,147,858 | \$ | 1,327,888 | \$ | 2,813,038 |



STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | | | Speci | al Revenue | | |
|-------------------------------------------|----|-----------------|-------|--------------------|--------------------|--------------|
| | R | egional Jail | M | Iunicipal Court | Police - Seized | |
| REVENUES | ф | | Φ. | | ф | |
| Hotel occupancy tax Fines and forfeitures | \$ | - | \$ | - 78,173 | \$ | - |
| Intergovernmental | | 481,700 | | 78,173 | | - 67,889 |
| Charges for services | | 37,015 | | _ | | - |
| Investment earnings | | 451 | | 514 | | 82 |
| Miscellaneous | | 5,959 | | - | | 750 |
| Total revenues | | 525,125 | | 78,687 | | 68,721 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | | - | | - | | - |
| Public safety: | | | | | | |
| Police | | 711,862 | | - | | 45,565 |
| Fire | | - | | - | | - |
| Development services | | - | | - | | - |
| Financial services | | - | | 38,326 | | - |
| Public library | | - | | - | | - |
| Debt service: | | | | | | |
| Interest and other charges | | 146.052 | | 11 207 | | - |
| Capital outlay | | 146,952 | | 11,387 | | - |
| Total expenditures | | 858,814 | | 49,713 | | 45,565 |
| EXPENDITURES (DEFICIENCY) OF REVENUES | | | | | | |
| OVER (UNDER) EXPENDITURES | (| 333,689) | | 28,974 | | 23,156 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Issuance of long-term debt | | - | | - | | - |
| Premium on issuance of bonds | | - | | - | | - |
| Transfers in | | 240,850 | | - | | - |
| Transfers out | | | (| 41,315) | (| 352) |
| Total other financing sources and uses | | 240,850 | (| 41,315) | (| 352) |
| NET CHANGE IN FUND BALANCES | (| 92,839) | (| 12,341) | | 22,804 |
| FUND BALANCES, BEGINNING | | 359,398 | | 326,068 | | 29,885 |
| FUND BALANCES, ENDING | \$ | 266,559 | \$ | 313,727 | \$ | 52,689 |

Special Revenue

| Police Grant | Homeland Security Grant | Hotel Occupancy | Lone Star Library Grant | Health Facilities Development Corp. | Housing Finance Corp. | Industrial Development Authority | Total Special Revenue Funds | |
|-----------------|-------------------------------|--------------------|-------------------------------|-------------------------------------|-----------------------------|----------------------------------|--------------------------------------|--|
| \$ - | \$ - | \$ 597,292 | \$ - | \$ - | \$ - | \$ - | \$ 597,292 | |
| - | - | - | - | - | - | - | 78,173 | |
| 24,156 | 24,409 | - | 10,592 | - | - | - | 608,746 | |
| - | - | 8,428 | - 22 | - 47 | - 115 | - 70 | 45,443 | |
| - | - | 664 | 22 | 47 | 117 652 | 72 | 1,967 | |
| | | 3,822 | | | 117,653 | | 128,184 | |
| 24,156 | 24,409 | 610,206 | 10,614 | 47 | 117,768 | 72 | 1,459,805 | |
| - | - | 420,021 | - | - | 79 | - | 420,100 | |
| 13,726 | 9,293 | _ | _ | _ | _ | _ | 780,446 | |
| - | 15,116 | _ | _ | _ | - | - | 15,116 | |
| - | - | - | - | - | - | - | - | |
| - | - | - | - | - | - | - | 38,326 | |
| - | - | - | 10,592 | - | - | - | 10,592 | |
| | | | | | | | - | |
| - | - | - | - | - | - | - | - | |
| | | <u> </u> | | | | | 158,339 | |
| 13,726 | 24,409 | 420,021 | 10,592 | | 79 | | 1,422,919 | |
| 10,430 | | 190,185 | 22 | 47 | 117,689 | 72 | 36,886 | |
| - | - | - | - | - | - | - | - | |
| - | _ | _ | _ | _ | - | - | _ | |
| - | - | _ | - | - | - | - | 240,850 | |
| - | - | (54,450) | - | - | - | - | (96,117) | |
| | _ | (54,450) | | | | | 144,733 | |
| 10,430 | - | 135,735 | 22 | 47 | 117,689 | 72 | 181,619 | |
| 36,505 | - | 422,812 | 595 | 18,276 | 3,421 | 28,899 | 1,225,859 | |
| \$ 46,935 | \$ | \$ 558,547 | \$ 617 | \$ 18,323 | \$ 121,110 | \$ 28,971 | \$ 1,407,478 | |

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | | | Capital Pro | ojects | | | | |
|--------------------------------------------------------------------|----------|----------------------|-----------------------------------------|--------------|--------------------------------------|-----------------|----------|-------------------------------------------|
| | | ks Capital provement | Publi Faciliti Capita Improver | ies al | Total Capital Project Funds | | | Total Nonmajor overnmental Funds |
| REVENUES | ¢ | | ¢. | | ď | | ¢. | 507.202 |
| Hotel occupancy tax Fines and forfeitures | \$ | - | \$ - | - | \$ | - | \$ | 597,292 78,173 |
| Intergovernmental | | _ | - | - | | _ | | 608,746 |
| Charges for services | | - | | - | | - | | 45,443 |
| Investment earnings | | 422 | | 608 | | 1,030 | | 2,997 |
| Miscellaneous | | - | | | | - | | 128,184 |
| Total revenues | | 422 | | 608 | | 1,030 | | 1,460,835 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | | - | - | - | | - | | 420,100 |
| Public safety: | | | | | | | | |
| Police | | - | - | - | | - | | 780,446 |
| Fire | | - | | 010 | | 07.010 | | 15,116 |
| Development services Financial services | | - | 97. | ,818 | | 97,818 | | 97,818 38,326 |
| Public library | | _ | • | - | | _ | | 10,592 |
| Debt service: | | _ | | | | _ | | 10,372 |
| Interest and other charges | | _ | 52. | ,853 | | 52,853 | | 52,853 |
| Capital outlay | | 89,265 | | ,107 | | 138,372 | | 296,711 |
| Total Expenditures | | 89,265 | | ,778 | | 289,043 | | 1,711,962 |
| EXPENDITURES (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (| 88,843) | (199 | ,170) | (| 288,013) | (| 251,127) |
| | | | | | | | | |
| OTHER FINANCING SOURCES (USES) Issuance of long-term debt | | | 1 1 1 1 5 | 000 | 1 | 145 000 | | 1 145 000 |
| Premium on issuance of bonds | | - | 1,145 | • | 1, | 145,000 | | 1,145,000 |
| Transfers in | | - | | ,104 ,434 | | 9,104 75,434 | | 9,104 316,284 |
| Transfers out | (| 188,441) | | ,581) | (| 343,022) | (| 439,139) |
| | <u>(</u> | | | | | | <u>(</u> | |
| Total other financing sources and uses | (| 188,441) | 1,074 | <u>,957</u> | | 886,516 | - | 1,031,249 |
| NET CHANGE IN FUND BALANCES | (| 277,284) | 875 | ,787 | | 598,503 | | 780,122 |
| FUND BALANCES, BEGINNING | | 457,314 | 272 | ,071 | - | 729,385 | | 1,955,244 |
| FUND BALANCES, ENDING | \$ | 180,030 | \$1,147 | ,858 | \$ | 327,888 | \$ | 2,735,366 |





SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | Budgeted | l Amounts | | Variance with Final Budget - Positive |
|----------------------------------------|--------------|--------------|--------------|---------------------------------------------|
| | Original | Final | Actual | (Negative) |
| REVENUES | | | | |
| Property taxes | \$ 6,502,554 | \$ 6,502,554 | \$ 6,575,776 | \$ 73,222 |
| Intergovernmental | 215,148 | 215,148 | 143,080 | (72,068) |
| Investment earnings | 25,000 | 25,000 | 5,264 | (19,736) |
| Total revenues | 6,742,702 | 6,742,702 | 6,724,120 | (18,582) |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal | 4,310,008 | 4,310,008 | 4,375,005 | (64,997) |
| Interest and other charges | 3,248,334 | 3,248,334 | 3,486,476 | (238,142) |
| Total expenditures | 7,558,342 | 7,558,342 | 7,861,481 | (303,139) |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (815,640) | (815,640) | (1,137,361) | 284,557 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of long-term debt | - | - | 1,275,000 | 1,275,000 |
| Premium on issuance of bonds | - | - | 93,521 | 93,521 |
| Payment to escrow agent | - | - | (1,338,613) | (1,338,613) |
| Transfers in | 91,194 | 91,194 | 397,778 | 306,584 |
| Total other financing sources and uses | 273,582 | 273,582 | 427,686 | 154,104 |
| NET CHANGE IN FUND BALANCE | (542,058) | (542,058) | (709,675) | 438,661 |
| FUND BALANCE, BEGINNING | 2,159,684 | 2,159,684 | 2,159,684 | |
| FUND BALANCE, ENDING | \$ 1,617,626 | \$ 1,617,626 | \$1,450,009 | \$ 438,661 |



STREET IMPROVEMENT FUND



SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STREET IMPROVEMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | | | | | | | | riance with al Budget - | |
|----------------------------------------|------------|------------|-------|------------|----|------------|-------------|-------------------------|--|
| | | Budgeted | l Amo | | | | Positive | | |
| | | Original | | Final | | Actual | (| Negative) | |
| REVENUES | Ф | 20.000 | Φ | 20.000 | Ф | 100.000 | Φ | 02.062 | |
| Intergovernmental | \$ | 30,000 | \$ | 30,000 | \$ | 123,062 | \$ | 93,062 | |
| Investment earnings | | 8,500 | | 8,500 | | 27,556 | _ | 19,056 | |
| Total revenues | | 38,500 | | 38,500 | _ | 150,618 | | 112,118 | |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| Development services | | - | | - | | 49,277 | (| 49,277) | |
| Debt service: | | | | | | | | | |
| Interest and other charges | | - | | - | | 14,494 | (| 14,494) | |
| Capital outlay | | 3,240,000 | | 3,240,000 | | 1,676,517 | | 1,563,483 | |
| Total expenditures | | 3,240,000 | | 3,240,000 | _ | 1,740,288 | _ | 1,499,712 | |
| EXCESS (DEFICIENCY) OF REVENUES | | | | | | | | | |
| OVER (UNDER) EXPENDITURES | (| 3,201,500) | (| 3,201,500) | (| 1,589,670) | (| 1,387,594) | |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Issuance of long-term debt | | - | | - | | 500,000 | | 500,000 | |
| Premium on issuance of bonds | | - | | - | | 14,852 | | 14,852 | |
| Transfers in | | 615,170 | | 615,170 | | 615,170 | | - | |
| Transfers out | | | | _ | (| 306) | (| 306) | |
| Total other financing sources and uses | _ | 615,170 | | 615,170 | _ | 1,129,716 | _ | 14,546 | |
| NET CHANGE IN FUND BALANCE | (| 2,586,330) | (| 2,586,330) | (| 459,954) | (| 1,373,048) | |
| FUND BALANCE, BEGINNING | 1 | 1,140,137 | _1 | 1,140,137 | | 11,140,137 | | | |
| FUND BALANCE, ENDING | \$ <u></u> | 8,553,807 | \$ | 8,553,807 | \$ | 10,680,183 | \$ <u>(</u> | 1,373,048) | |







SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

REGIONAL JAIL FUND

| | | Budgeted | Amo | unte | | | Fina | iance with al Budget - Positive |
|----------------------------------------|----|-------------------|------------|----------|------------|----------|------------|---------------------------------|
| | | Original Original | Final | | Actual | | (Negative) | |
| | | Originar | | 1 mui | | 7 ICtuar | | (eguare) |
| REVENUES | | | | | | | | |
| Intergovernmental | \$ | 481,700 | \$ | 481,700 | \$ | 481,700 | \$ | - |
| Charges for services | | - | | - | | 37,015 | | 37,015 |
| Investment earnings | | 3,000 | | 3,000 | | 451 | (| 2,549) |
| Miscellaneous | | 25,000 | | 25,000 | | 5,959 | (| 19,041) |
| Total revenues | | 509,700 | | 509,700 | | 525,125 | | 15,425 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Public safety - police | | 747,510 | | 747,510 | | 711,862 | | 35,648 |
| Capital outlay | _ | - | | - | _ | 146,952 | (| 146,952) |
| Total expenditures | _ | 747,510 | | 747,510 | _ | 858,814 | (| 111,304) |
| EXCESS (DEFICIENCY) OF REVENUES | | | | | | | | |
| OVER (UNDER) EXPENDITURES | (| 237,810) | (| 237,810) | (| 333,689) | | 126,729 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers in | | 240,850 | | 240,850 | _ | 240,850 | | |
| Total other financing sources and uses | _ | 240,850 | | 240,850 | _ | 240,850 | | |
| NET CHANGE IN FUND BALANCE | | 3,040 | | 3,040 | (| 92,839) | | 126,729 |
| FUND BALANCE, BEGINNING | | 359,398 | | 359,398 | | 359,398 | | |
| FUND BALANCE, ENDING | \$ | 362,438 | \$ <u></u> | 362,438 | \$ <u></u> | 266,559 | \$ | 126,729 |

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

MUNICIPAL COURT FUND

| | | Budgeted | d Amoi | ınts | | | Final | ance with Budget - ositive |
|--------------------------------------------------------------|----|-----------------|--------|-----------------|------------|---------------|-------------|----------------------------|
| | Oı | riginal | | Final | Actual | | (Negative) | |
| REVENUES Fines and forfeitures Investment earnings | \$ | 71,000 4,300 | \$ | 71,000 4,300 | \$ | 78,173 514 | \$ (| 7,173 3,786) |
| Total revenues | | 75,300 | | 75,300 | | 78,687 | | 3,387 |
| EXPENDITURES Current: | | | | | | | | |
| Financial services | | 50,429 | | 50,429 | | 38,326 | | 12,103 |
| Capital outlay | | 8,000 | | 8,000 | | 11,387 | (| 3,387) |
| Total expenditures | | 58,429 | | 58,429 | | 49,713 | | 8,716 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | | 16,871 | | 16,871 | | 28,974 | (| 5,329) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers out | | | (| 40,434) | (| 41,315) | (| 881) |
| Total other financing sources and uses | | - | (| 40,434) | (| 41,315) | (| 881) |
| NET CHANGE IN FUND BALANCE | | 16,871 | (| 23,563) | (| 12,341) | (| 6,210) |
| FUND BALANCE, BEGINNING | | 326,068 | | 326,068 | | 326,068 | | - |
| FUND BALANCE, ENDING | \$ | 342,939 | \$ | 342,939 | \$ <u></u> | 313,727 | \$ <u>(</u> | 6,210) |

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

POLICE - SEIZED FUND

| | | Budgeted | Amou | nts | | | Fina | iance with l Budget - Positive |
|----------------------------------------|----|----------|------------|---------|--------|--------|------------|--------------------------------------|
| | (| Original | Final | | Actual | | (Negative) | |
| REVENUES | | | | | | | | |
| Intergovernmental | \$ | 20,000 | \$ | 20,000 | \$ | 67,889 | \$ | 47,889 |
| Investment earnings | Ψ | 400 | Ψ | 400 | Ψ | 82 | (| 318) |
| Miscellaneous | | 400 | | 400 | | 750 | ` | 350 |
| Total revenues | | 20,800 | | 20,800 | | 68,721 | | 47,921 |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| Public safety: | | | | | | | | |
| Police | | 50,000 | | 50,000 | | 45,565 | | 4,435 |
| Total expenditures | | 50,000 | | 50,000 | | 45,565 | | 4,435 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | | | | | |
| OVER (UNDER) EXPENDITURES | (| 29,200) | (| 29,200) | | 23,156 | | 43,486 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Transfers out | | <u>-</u> | | | (| 352) | (| 352) |
| Total other financing sources and uses | | <u> </u> | | | (| 352) | (| 352) |
| NET CHANGE IN FUND BALANCE | (| 29,200) | (| 29,200) | | 22,804 | | 43,134 |
| FUND BALANCE, BEGINNING | | 29,885 | | 29,885 | | 29,885 | | |
| FUND BALANCE, ENDING | \$ | 685 | \$ <u></u> | 685 | \$ | 52,689 | \$ | 43,134 |

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

POLICE GRANT FUND

| | Budgeted | d Amounts | | Variance with Final Budget - Positive |
|---------------------------------|------------|------------|-----------|---------------------------------------|
| | Original | Final | Actual | (Negative) |
| REVENUES | | | | |
| Intergovernmental | \$ 323,103 | \$ 323,103 | \$ 24,156 | \$(298,947) |
| Investment earnings | 3,000 | 3,000 | | (3,000) |
| Total revenues | 326,103 | 326,103 | 24,156 | (301,947) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Police | 328,372 | 328,372 | 13,726 | 314,646 |
| Total expenditures | 328,372 | 328,372 | 13,726 | 314,646 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (2,269) | (2,269) | 10,430 | (616,593) |
| FUND BALANCE, BEGINNING | 36,505 | 36,505 | 36,505 | |
| FUND BALANCE, ENDING | \$ 34,236 | \$ 34,236 | \$ 46,935 | \$ <u>(616,593)</u> |

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HOTEL OCCUPANCY FUND

| | | | | | | | iance with 1 Budget - |
|----------------------------------------|-------|-----------------|---------|------------|---------|----|--------------------------|
| | | Budgeted Am | ounts | | | F | Positive |
| | Orig | inal | Final | | Actual | (N | legative) |
| REVENUES | | | | | | | |
| Hotel occupancy tax | \$ 45 | 0,000 \$ | 450,000 | \$ | 597,292 | \$ | 147,292 |
| Charges for services | | - | - | | 8,428 | | 8,428 |
| Investment earnings | | 2,000 | 2,000 | | 664 | (| 1,336) |
| Miscellaneous | | <u>-</u> | | | 3,822 | | 3,822 |
| Total revenues | 45 | 2,000 | 452,000 | | 610,206 | | 158,206 |
| EXPENDITURES Current: | | | | | | | |
| General government | 30 | 9,889 | 405,000 | | 420,021 | (| 15,021) |
| Total expenditures | | 9,889 | 405,000 | | 420,021 | | 15,021) |
| Total expenditures | | 2,007 | 403,000 | _ | 420,021 | | 13,021) |
| EXCESS (DEFICIENCY) OF REVENUES | | | | | | | |
| OVER (UNDER) EXPENDITURES | 14 | 2,111 | 47,000 | | 190,185 | | 173,227 |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers out | (5 | 4,450) | 54,450) | (| 54,450) | | - |
| Total other financing sources and uses | (5 | 4,450) | 54,450) | (| 54,450) | | - |
| NET CHANGE IN FUND BALANCE | 8 | 7,661 (| 7,450) | | 135,735 | | 173,227 |
| FUND BALANCE, BEGINNING | 42 | 2,812 | 422,812 | | 422,812 | | |
| FUND BALANCE, ENDING | \$ 51 | <u>0,473</u> \$ | 415,362 | \$ <u></u> | 558,547 | \$ | 173,227 |

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

LONE STAR LIBRARY GRANT FUND

| | C | Budgeted Original | nts Final | Actual | Final P | ance with Budget - ositive egative) |
|---------------------------------|----|----------------------|--------------|--------------|------------|-------------------------------------|
| | - | | | | | <u> </u> |
| REVENUES | | | | | | |
| Intergovernmental | \$ | 9,818 | \$ 9,818 | \$ 10,592 | \$ | 774 |
| Investment earnings | | 50 | 50 | 22 | (| 28) |
| Total revenues | | 9,868 | 9,868 | 10,614 | | 746 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public library | | 9,818 | 9,818 | 10,592 | (| 774) |
| Total expenditures | | 9,818 | 9,818 | 10,592 | (| 774) |
| EXCESS (DEFICIENCY) OF REVENUES | | | | | | |
| OVER (UNDER) EXPENDITURES | | 50 | 50 | 22 | | 1,520 |
| FUND BALANCE, BEGINNING | | 595 | 595 | 595 | | |
| FUND BALANCE, ENDING | \$ | 645 | \$ 645 | \$ 617 | \$ | 1,520 |

CAPITAL PROJECTS FUNDS



SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PARKS CAPITAL IMPROVEMENT FUND

| | | l Amounts | | Variance with Final Budget - Positive |
|----------------------------------------|-------------|------------|------------|---------------------------------------|
| | Original | Final | Actual | (Negative) |
| REVENUES | | | | |
| Investment earnings | \$300 | \$ 300 | \$ | \$ <u>122</u> |
| Total revenues | 10,300 | 10,300 | 422 | (9,878) |
| EXPENDITURES | | | | |
| Capital outlay | 90,000 | 90,000 | 89,265 | 735 |
| Total expenditures | 90,000 | 90,000 | 89,265 | 735 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (79,700) | (79,700) | (88,843) | (10,613) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | | | (188,441) | (188,441) |
| Total other financing sources and uses | | | (188,441) | (188,441) |
| NET CHANGE IN FUND BALANCE | (79,700) | (79,700) | (277,284) | (199,054) |
| FUND BALANCE, BEGINNING | 457,314 | 457,314 | 457,314 | |
| FUND BALANCE, ENDING | \$ 377,614 | \$ 377,614 | \$180,030 | \$ <u>(199,054)</u> |

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

PUBLIC FACILITIES CAPITAL IMPROVEMENT FUND

| | Budgete | d Amounts | | Variance with Final Budget - Positive |
|----------------------------------------|----------------------|----------------------|---------------------|---------------------------------------------|
| | Original | Final | Actual | (Negative) |
| DEVENING | | | | |
| REVENUES | ¢ | ¢. | Φ (00 | Φ (00 |
| Investment earnings | \$ | \$ | \$ 608 | \$ 608 |
| Total revenues | - | | 608 | 608 |
| EXPENDITURES Current: | | | | |
| Development services | - | - | 97,818 | (97,818) |
| Debt service: | | | | |
| Interest and other charges | - | 45,000 | 52,853 | (7,853) |
| Capital outlay | 399,501 | 444,935 | 49,107 | 395,828 |
| Total expenditures | 399,501 | 489,935 | 199,778 | 290,157 |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER (UNDER) EXPENDITURES | (399,501) | (489,935) | (199,170) | (289,549) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Issuance of long-term debt | - | 1,143,421 | 1,145,000 | 1,579 |
| Premium on issuance of bonds | - | - | 9,104 | 9,104 |
| Transfers in | - | 45,434 | 75,434 | 30,000 |
| Transfers out | | <u> </u> | (154,581) | (154,581) |
| Total other financing sources and uses | | 45,434 | 1,074,957 | (115,477) |
| NET CHANGE IN FUND BALANCE | (399,501) | (444,501) | 875,787 | (405,026) |
| FUND BALANCE, BEGINNING | 272,071 | 272,071 | 272,071 | |
| FUND BALANCE, ENDING | \$ <u>(127,430)</u> | \$ <u>(172,430)</u> | \$ <u>1,147,858</u> | \$ <u>(405,026)</u> |





STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

| | Balance October 1, 2010 | Additions | Deductions | Balance September 30, 2011 |
|----------------------------------------------------------------|-------------------------------|--------------|--------------|----------------------------------|
| SOUTHWEST REGIONAL COMMUNICATIONS CENTER Assets: | | | | |
| Cash and investments | \$ 1,023,792 | \$_2,791,313 | \$_3,332,618 | \$482,487 |
| Total assets | \$ 1,023,792 | \$ 2,791,313 | \$ 3,332,618 | \$ 482,487 |
| Liabilities: Due to Southwest Regional Communications Center | \$ 1,023,792 | \$ 2,791,313 | \$ 3,332,618 | \$ 482,487 |
| Total liabilities | \$ 1,023,792 \$ 1,023,792 | \$ 2,791,313 | \$ 3,332,618 | \$ 482,487 |



(Discretely Presented Component Unit)

BALANCE SHEET

COMPONENT UNIT

SEPTEMBER 30, 2011

| ASSETS Cash and investments Receivables, taxes net | \$ 521,208 87,357 |
|----------------------------------------------------------------|----------------------|
| Total assets | \$ 608,565 |
| LIABILITIES AND FUND BALANCE Total liabilities | |
| Fund balance: Restricted for park and park facilities projects | 608,565 |
| Total fund balance | 608,565 |
| Total liabilities and fund balance | \$ 608,565 |

RECONCILIATION OF THE COMPONENT UNIT BALANCE SHEET TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

| Total fund balance - component unit | | | \$ | 608,565 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|------------|----|------------|
| Amounts reported for the component unit in the Statement of Net Assets are different because: | | | | |
| Capital assets used in the component unit are not current financial resources and therefore are not reported in this fund financial statement. These consist of: | | | | |
| Land | \$ | 11,250 | | |
| Improvements other than buildings | | 5,324,530 | | |
| Accumulated depreciation | (| 2,421,324) | | |
| | | | | 2,914,456 |
| Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the Statement of Net Assets. | | | | 87,686 |
| out the reported in the Statement of Net Assets. | | | | 07,000 |
| Some liabilities, are not due and payable in the current period and are not included in the fund financial statement. These liabilities consist of: | | | | |
| Accrued interest | (| 7,881) | | |
| Long-term debt | (| 1,925,000) | | |
| | | | (| 1,932,881) |
| | | | | |

Net assets of component unit

1,677,826

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

COMPONENT UNIT

| DEVENHED | |
|--------------------------------------------------------------|-------------------|
| REVENUES | 450504 |
| Sales taxes | \$ 450,794 |
| Investment earnings | 674 |
| Total revenues | 451,468 |
| EXPENDITURES | |
| Current: | |
| Parks and leisure services | 64,413 |
| Debt service: | , |
| Principal | 115,000 |
| Interest and other charges | 174,330 |
| Total expenditures | 353,743 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 97,725 |
| OTHER FINANCING SOURCES (USES) | |
| Issuance of long-term debt | 1,925,000 |
| Bond premium | 22,535 |
| Payment to refunding escrow agent | (1,847,790) |
| Total other financing sources and uses | 99,745 |
| NET CHANGE IN FUND BALANCE | 197,470 |
| | 277,170 |
| FUND BALANCE, BEGINNING | 411,095 |
| FUND BALANCE, ENDING | \$ <u>608,565</u> |

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

| Net change in fund balance - component unit: | \$ | 197,470 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------|
| Amounts reported for the component unit in the Statement of Activities are different because: | | |
| The component unit reports outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation in the current period. | (| 150,707) |
| The component unit reports bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. The component unit fund reports repayment of bond principal as an expenditure. In contrast, the Statement of Net Assets shows this as a reduction of long-term liabilities. | | |
| Issuance of debt | (1 | ,925,000) |
| Repayment of principal on long-term debt | | 115,000 |
| Also, the component unit reports the effect of issuance cost, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | | |
| Payment to refunding escrow agent | 1 | ,847,790 |
| Bond issuance costs | | 87,686 |
| Bond refunding loss | (| 7,790) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds: | | |
| Accrued interest | _ | 4,926 |
| Change in net assets of component uni | \$ | 169,375 |





STATISTICAL SECTION

This part of the City of DeSoto's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

| Contents | Page |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Financial Trends | 82 – 92 |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | |
| Revenue Capacity | 93 – 98 |
| These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax. | |
| Debt Capacity | 99 – 102 |
| These schedules present information to help the reader assess the affordability of the City's current levels of ourstanding debt and the City's ability to issue additional debt in the future. | |
| Demographic and Economic Information | 103 – 104 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | |
| Operating Information | 105 – 108 |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs. | |

NET ASSETS BY COMPONENT (ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED) LAST NINE FISCAL YEARS

| | | | | | | | | | | Fiscal Year | | | | | | | | |
|-----------------------------------------------------------------------------------------------|------------|-------------------------|------------|-------------------------|------------|-------------------------|------------|-------------------------|------------|-------------------------|------------|-------------------------|------------|-------------------------|------------|-------------------------|----|-------------------------|
| | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | | 2011 |
| Governmental activities: Invested in capital assets, net of related debt Restricted | \$ | 53,474,880 3,139,563 | \$ | 70,653,054 3,735,804 | \$ | 72,273,595 3,632,028 | \$ | 72,469,145 8,641,086 | \$ | 82,336,139 2,723,392 | \$ | 83,437,503 2,912,353 | \$ | 88,778,833 3,407,347 | \$ | 82,952,006 1,727,639 | \$ | 83,839,278 2,629,370 |
| Unrestricted | _ | 3,940,470 | _ | 1,541,787 | _ | 5,775,203 | _ | 8,680,251 | _ | 9,085,126 | _ | 10,599,124 | _ | 7,458,927 | _ | 12,761,912 | _ | 9,708,413 |
| Total governmental activities net assets | \$ <u></u> | 60,554,913 | \$ <u></u> | 75,930,645 | \$ <u></u> | 81,680,826 | \$ <u></u> | 89,790,482 | \$ <u></u> | 94,144,657 | \$ <u></u> | 96,948,980 | \$ <u></u> | 99,645,107 | \$ <u></u> | 97,441,557 | \$ | 96,177,061 |
| Business-type activities: Invested in capital assets, net of related debt Restricted | \$ | 39,299,841 | \$ | 40,854,522 | \$ | 45,250,643 | \$ | 51,541,923 | \$ | 58,520,397 | \$ | 59,931,665 | \$ | 53,525,260 | \$ | 59,668,820 | \$ | 46,444,456 |
| Unrestricted Total business-type | _ | 8,793,448 | _ | 8,908,479 | _ | 8,284,326 | _ | 10,045,425 | _ | 5,215,673 | _ | 6,611,738 | _ | 12,276,723 | _ | 6,493,872 | _ | 21,617,015 |
| activities net assets | \$ | 48,093,289 | \$ | 49,763,001 | \$ | 53,534,969 | \$ | 61,587,348 | \$ | 63,736,070 | \$ | 66,543,403 | \$ | 65,801,983 | \$ | 66,162,692 | \$ | 68,061,471 |
| Primary government: Invested in capital assets, | | | | | | | | | | | | | | | | | | |
| net of related debt | \$ | 92,774,721 | \$ | 111,507,576 | \$ | 117,524,238 | \$ | 124,011,068 | \$ | 140,856,536 | \$ | 143,369,168 | \$ | 142,304,093 | \$ | 142,620,826 | \$ | 130,283,734 |
| Restricted | | 3,139,563 | | 3,735,804 | | 3,632,028 | | 8,641,086 | | 2,723,392 | | 2,912,353 | | 3,407,347 | | 1,727,639 | | 2,629,370 |
| Unrestricted | _ | 12,733,918 | _ | 10,450,266 | _ | 14,059,529 | _ | 18,725,676 | _ | 14,300,799 | _ | 17,210,862 | _ | 19,735,650 | _ | 19,255,784 | _ | 31,325,428 |
| Total primary government net assets | \$ | 108,648,202 | \$ | 125,693,646 | \$ | 135,215,795 | \$ | 151,377,830 | \$_ | 157,880,727 | \$ | 163,492,383 | \$ | 165,447,090 | \$ | 163,604,249 | \$ | 164,238,532 |

Note:

Data compiled from the City's first implementation year as required by GASB - FY 2003.

CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

LAST NINE FISCAL YEARS

| Fiscal Y | ea |
|----------|----|
| riscai i | |

| | | | | 1 130 | ai i cai | | | |
|------------------------------------------|------------|-------------------------|----|-------------------------|----------|-------------------------|----|-------------------------|
| | | 2003 | | 2004 | | 2005 | | 2006 |
| EXPENSES Governmental activities | | | | | | | | |
| General government | \$ | 1,149,638 | \$ | 2,462,626 | \$ | 3,015,728 | \$ | 3,680,576 |
| Public safety | | 12,002,866 | | 12,867,055 | | 13,303,331 | | 14,206,475 |
| Development services | | 5,743,011 | | 6,158,295 | | 6,237,838 | | 6,657,838 |
| Parks and leisure services | | 2,193,790 | | 2,811,670 | | 3,169,717 | | 4,198,907 |
| Library services | | 784,290 | | 707,025 | | 709,381 | | 761,034 |
| Management services | | 1,872,482 | | - | | - | | - |
| Nondepartmental | | 1,046,154 | | - | | - | | - |
| Human resources | | 216,056 | | 260,880 | | 318,279 | | 310,097 |
| Financial services | | 981,009 | | 1,190,736 | | 1,247,847 | | 1,208,137 |
| Information technology | | 531,258 | | 522,981 | | 535,177 | | 569,664 |
| Interest on long-term debt | _ | 2,964,088 | | 3,243,056 | | 3,067,496 | | 3,262,049 |
| Total governmental | | | | | | | | |
| activities expenses | _ | 29,484,642 | _ | 30,224,324 | _ | 31,604,794 | _ | 34,854,777 |
| Business-type activities: | | | | | | | | |
| Water and sewer | | 10,462,141 | | 10,680,755 | | 11,127,247 | | 12,034,001 |
| Drainage | | 394,227 | | 476,515 | | 545,047 | | 775,309 |
| Sanitation | _ | 2,286,592 | | 2,394,357 | | 2,566,594 | | 2,641,575 |
| Total business-type | | | | | | _ | | _ |
| activities expenses | _ | 13,142,960 | | 13,551,627 | _ | 14,238,888 | _ | 15,450,885 |
| Total primary government | | | | | | | | |
| program expenses | \$ | 42,627,602 | \$ | 43,775,951 | \$ | 45,843,682 | \$ | 50,305,662 |
| PROGRAM REVENUES Governmental activities | | | | | | | | |
| Charges for services: | | | | | | | | |
| General administration | \$ | 1,518,649 | \$ | 1,639,957 | \$ | 1,649,883 | \$ | 1,604,188 |
| Public safety | | 2,194,992 | | 2,473,235 | | 2,831,249 | | 2,823,888 |
| Development services | | 684,164 | | 1,071,045 | | 1,121,560 | | 940,001 |
| Parks and leisure services | | 357,215 | | 394,195 | | 551,543 | | 726,053 |
| Library services | | - | | 36,034 | | 40,966 | | 45,753 |
| Financial services | | - | | - | | 3,150 | | 4,749 |
| Operating grants and contributions | | 85,877 | | 587,439 | | 1,093,302 | | 1,462,364 |
| Capital grants and contributions | _ | 209,505 | _ | 2,178,920 | _ | 3,822,649 | _ | 5,157,461 |
| Total governmental activities | | | | | | | | |
| program revenues | _ | 5,050,402 | _ | 8,380,825 | _ | 11,114,302 | _ | 12,764,457 |
| Business-type activities: | | | | | | | | |
| Charges for services: | | 11.064.710 | | 12.022.005 | | 12.555.400 | | 1 < 250 < 40 |
| Water and wastewater Drainage | | 11,964,719 1,053,210 | | 12,033,005 1,092,471 | | 12,565,490 1,284,077 | | 16,350,648 1,235,750 |
| Sanitation | | 2,866,494 | | 2,607,559 | | 2,811,408 | | 2,772,209 |
| Capital grants and contributions | | 2,000,171 | | 2,007,337 | | 2,033,231 | | 4,281,581 |
| Total business-type activities | _ | | _ | | _ | | | ., |
| program revenues | _ | 15,884,423 | | 15,733,035 | | 18,694,206 | | 24,640,188 |
| Total primary government | | | | | | | | |
| program revenues | \$ <u></u> | 20,934,825 | \$ | 24,113,860 | \$ | 29,808,508 | \$ | 37,404,645 |

| Fiscal | |
|--------|--|
| | |

| | 2007 | | 2000 | | riscai Tear | | 2010 | | 2011 |
|----|---------------|----|-----------------------|----|-------------|----|-----------------|----|------------|
| | 2007 | _ | 2008 | _ | 2009 | | 2010 | | 2011 |
| | | | | | | | | | |
| \$ | 5,116,336 | \$ | 5,770,984 | \$ | 3,827,242 | \$ | 4,845,547 | \$ | 5,217,799 |
| Ψ | 15,368,212 | Ψ | 15,173,881 | Ψ | 17,402,007 | 4 | 17,889,132 | Ψ | 17,578,307 |
| | 8,389,388 | | 7,927,578 | | 7,523,025 | | 8,109,041 | | 7,788,666 |
| | | | | | | | | | |
| | 3,262,673 | | 3,532,927 | | 3,162,068 | | 3,683,752 | | 3,584,536 |
| | 847,492 | | 876,249 | | 933,378 | | 949,520 | | 896,501 |
| | - | | - | | - | | - | | - |
| | - | | - | | - | | - | | - |
| | 336,085 | | 369,265 | | 213,452 | | 171,664 | | 139,935 |
| | 1,192,832 | | 1,258,242 | | 777,635 | | 884,724 | | 855,547 |
| | 602,759 | | 600,339 | | 328,417 | | 294,032 | | 294,197 |
| | 3,363,716 | | 3,970,451 | | 3,939,305 | | 3,557,515 | | 3,423,048 |
| | | • | | | | | | | |
| | 38,479,493 | | 39,479,916 | | 38,106,529 | | 40,384,927 | | 39,778,536 |
| _ | 30,477,473 | | 37,477,710 | | 30,100,327 | | +0,30+,721 | | 37,770,330 |
| | | | | | | | | | |
| | 12,185,402 | | 12,656,844 | | 12,611,568 | | 12,697,975 | | 13,452,042 |
| | 803,044 | | 1,042,256 | | 1,187,708 | | 1,209,603 | | 1,282,892 |
| | 2,916,041 | | 3,064,111 | | 2,889,531 | | 2,935,666 | | 2,957,452 |
| _ | 2,910,041 | • | 3,004,111 | | 2,869,331 | | 2,933,000 | | 2,931,432 |
| | 4.5.00.4.40.5 | | 4 - 5 - 2 - 2 - 4 - 4 | | 4 4 400 00= | | 4 5 0 4 0 0 4 4 | | 45 400 004 |
| _ | 15,904,487 | - | 16,763,211 | | 16,688,807 | | 16,843,244 | | 17,692,386 |
| | | | | | | | | | |
| \$ | 54 292 090 | \$ | 56 242 127 | \$ | 54 705 226 | \$ | 57 229 171 | \$ | 57 470 022 |
| Φ_ | 54,383,980 | Φ. | 56,243,127 | Ф | 54,795,336 | 4 | 57,228,171 | Ф | 57,470,922 |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| \$ | 1,619,187 | \$ | 1,698,725 | \$ | 989,675 | \$ | 329,150 | \$ | 226,158 |
| | 3,354,155 | | 2,851,576 | | 3,593,925 | | 2,518,011 | | 2,459,939 |
| | 1,086,307 | | 645,532 | | 448,877 | | 575,242 | | 795,377 |
| | 709,537 | | 717,569 | | 834,057 | | 756,356 | | 864,197 |
| | 45,023 | | 47,864 | | 51,333 | | 61,406 | | 64,841 |
| | - | | - | | 518 | | - | | - |
| | 896,598 | | 842,032 | | 1,088,561 | | 1,684,707 | | 926,017 |
| | 2,040,813 | | 1,765,753 | | 23,696 | | 338,964 | | 402,804 |
| _ | 2,010,013 | | 1,703,733 | | 23,070 | | 330,701 | | 102,001 |
| | 0.751 (20 | | 0.500.051 | | 7.020.642 | | 6.262.026 | | 5 500 000 |
| _ | 9,751,620 | - | 8,569,051 | | 7,030,642 | | 6,263,836 | | 5,739,333 |
| | | | | | | | | | |
| | | | | | | | | | |
| | 12,579,614 | | 13,808,696 | | 14,036,444 | | 14,155,822 | | 16,680,611 |
| | 1,389,414 | | 1,497,912 | | 1,447,012 | | 1,463,866 | | 1,472,674 |
| | 3,029,504 | | 3,296,873 | | 2,880,996 | | 3,199,311 | | 3,244,899 |
| | 2,399,780 | | 1,512,223 | | 104,877 | | 35,571 | | 158,865 |
| _ | 2,377,100 | | 1,512,223 | | 104,077 | | 33,371 | | 130,003 |
| | 10 200 212 | | 20 115 504 | | 10.460.220 | | 10.054.570 | | 01.555.040 |
| _ | 19,398,312 | | 20,115,704 | | 18,469,329 | | 18,854,570 | | 21,557,049 |
| | | | | | | | | | |
| ¢ | 20 140 022 | ¢ | 20 601 755 | ¢ | 25 400 071 | đ | 25 119 407 | ď | 27 206 202 |
| \$ | 29,149,932 | \$ | 28,684,755 | \$ | 25,499,971 | \$ | 25,118,406 | \$ | 27,296,382 |

(continued)

CHANGES IN NET ASSETS (ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

(Continued)

LAST NINE FISCAL YEARS

| | | Fisca | l Year | |
|--------------------------------|--------------------|-----------------|-----------------|-----------------|
| | 2003 | 2004 | 2005 | 2006 |
| NET (EXPENSE) REVENUES | | | | |
| Governmental activities | \$(24,434,240) | \$(21,843,499) | \$(20,490,492) | \$(22,090,320) |
| Business-type activities | 2,741,463 | 2,181,408 | 4,455,318 | 9,189,303 |
| Total primary government | | | | |
| net expense | (21,692,777) | (19,662,091) | (16,035,174) | (12,901,017) |
| GENERAL REVENUES AND OTHER CHA | NGES IN NET ASSETS | | | |
| Governmental activities: | | | | |
| Taxes: | | | | |
| Property | 15,415,889 | 15,915,124 | 16,971,307 | 18,748,137 |
| Other | 7,954,201 | 7,888,477 | 7,994,954 | 8,944,583 |
| Interest income | 227,096 | 175,044 | 523,957 | 1,259,291 |
| Gain (loss) on sales of assets | - | - | 178,272 | - |
| Other | 808,921 | 341,489 | - | - |
| Transfers | 533,990 | 596,064 | 572,183 | 1,487,965 |
| Total governmental activities | 24,940,097 | 24,916,198 | 26,240,673 | 30,439,976 |
| Business-type activities: | | | | |
| Interest income | 132,088 | 84,368 | 186,284 | 351,041 |
| Gain (loss) on sales of assets | - | - | (37,461) | - |
| Other | - | - | - | - |
| Transfers | (533,990) | (596,064) | (572,183) | (1,487,965) |
| Total business-type activities | (401,902) | (511,696) | (423,360) | (1,136,924) |
| Total primary government | 24,538,195 | 24,404,502 | 25,817,313 | 29,303,052 |
| CHANGE IN NET ASSETS | | | | |
| Governmental activities | 505,857 | 3,072,699 | 5,750,181 | 8,349,656 |
| Business-type activities | 2,339,561 | 1,669,712 | 4,031,958 | 8,052,379 |
| Total primary government | \$ 2,845,418 | \$ 4,742,411 | \$ 9,782,139 | \$ 16,402,035 |

Note:

Data compiled from the City's first implementation year as required by GASB - FY 2003.

| Fiscal Year | |
|-------------|--|
|-------------|--|

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----|-------------|-----------------|-----------------|-----------------|-----------------|
| \$(| 28,727,873) | \$(30,910,865) | \$(31,075,887) | \$(34,121,091) | \$(34,039,203) |
| _ | 3,493,825 | 3,352,493 | 1,780,522 | 2,011,326 | 3,864,663 |
| (| 25,234,048) | (27,558,372) | (29,295,365) | (32,109,765) | (30,174,540) |
| | 20,479,714 | 22,051,523 | 21,562,536 | 20,998,395 | 21,392,377 |
| | 8,968,049 | 9,535,661 | 8,628,339 | 8,899,286 | 9,042,389 |
| | 1,857,677 | 1,434,605 | 314,323 | 42,494 | 83,020 |
| | - | - | - | 89,604 | - |
| | - | - | - | 118,710 | 262,238 |
| | 1,708,085 | 693,399 | 1,278,553 | 1,769,052 | 1,651,170 |
| _ | 33,013,525 | 33,715,188 | 31,783,751 | 31,917,541 | 32,431,194 |
| | 362,982 | 148,239 | 55,674 | 31,429 | 28,799 |
| | - | - | - | - | - |
| | - | - | 30,208 | 87,006 | - |
| (| 1,708,085) | (693,399) | (1,278,553) | (1,769,052) | (1,651,170) |
| (| 1,345,103) | (545,160) | (1,192,671) | (1,650,617) | (1,622,371) |
| | 31,668,422 | 33,170,028 | 30,591,080 | 30,266,924 | 30,808,823 |
| | 4,285,652 | 2,804,323 | 707,864 | (2,203,550) | (1,608,009) |
| _ | 2,148,722 | 2,807,333 | 587,851 | 360,709 | 2,242,292 |
| \$ | 6,434,374 | \$5,611,656 | \$1,295,715_ | \$(1,842,841) | \$634,283 |

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE (ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

LAST NINE FISCAL YEARS

| Fiscal Year | Property Taxes | Sales Tax | _ | Franchise Tax | Other Taxes | _ | Total |
|----------------|-----------------------|------------------|----|------------------|----------------|----|--------------|
| 2003 | \$ 15,415,889 | \$ 4,449,567 | \$ | 3,260,547 | \$ 244,087 | \$ | 5 23,370,090 |
| 2004 | 15,915,124 | 4,479,320 | | 3,182,732 | 226,425 | | 23,803,601 |
| 2005 | 16,971,307 | 4,499,908 | | 3,250,555 | 244,491 | | 24,966,261 |
| 2006 | 18,748,137 | 4,680,468 | | 3,848,098 | 416,017 | | 27,692,720 |
| 2007 | 20,479,714 | 5,314,550 | | 3,394,651 | 258,848 | | 29,447,763 |
| 2008 | 22,051,523 | 5,802,926 | | 3,336,906 | 395,829 | | 31,587,184 |
| 2009 | 21,562,536 | 5,028,838 | | 3,129,287 | 470,214 | | 30,190,875 |
| 2010 | 20,998,395 | 5,532,796 | | 2,794,521 | 571,969 | | 29,897,681 |
| 2011 | 21,392,377 | 5,409,524 | | 2,998,791 | 634,074 | | 30,434,766 |

Note: Data complied from the City's first implementation year as required by GASB - FY 2003

FUND BALANCES GOVERNMENTAL FUNDS (MODIFIED ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED) LAST TEN FISCAL YEARS

Fiscal Year

| | | 2002 | | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | | 2011 |
|------------------------------|-----|------------|----|-----------|----|-----------|----|------------|----|------------|----|------------|----|------------|----|------------|----|------------|----|------------|
| General fund | | | | | | | | | | | | | | | | | | | | |
| Reserved | \$ | 50,674 | \$ | 62,552 | \$ | 52,164 | \$ | 268,351 | \$ | 36,619 | \$ | 34,432 | \$ | 46,495 | \$ | 454,274 | \$ | 221,638 | \$ | - |
| Unreserved | | 4,755,789 | | 4,665,093 | | 5,171,857 | | 6,255,230 | | 7,066,881 | | 6,780,425 | | 6,853,977 | | 7,157,520 | | 6,964,196 | | - |
| Nonspendable: | | | | | | | | | | | | | | | | | | | | |
| Inventories | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 39,331 |
| Committed: | | | | | | | | | | | | | | | | | | | | |
| Utilization of fund balance | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 528,025 |
| Unassigned | _ | | _ | | _ | | _ | | _ | | _ | | _ | | _ | | _ | | _ | 7,967,759 |
| Total general fund | \$_ | 4,806,463 | \$ | 4,727,645 | \$ | 5,224,021 | \$ | 6,523,581 | \$ | 7,103,500 | \$ | 6,814,857 | \$ | 6,900,472 | \$ | 7,611,794 | \$ | 7,185,834 | \$ | 8,535,115 |
| All other governmental funds | | | | | | | | | | | | | | | | | | | | |
| Reserved | \$ | 10,559,600 | \$ | 7,817,595 | \$ | 8,664,063 | \$ | 13,633,702 | \$ | 18,715,559 | \$ | 28,452,022 | \$ | 22,030,806 | \$ | 21,282,353 | \$ | 18,072,628 | \$ | - |
| Unreserved, reported in: | | | | | | | | | | | | | | | | | | | | |
| Special revenue funds | | - | (| 18,891) | | - | | 20,261 | (| 147,372) | (| 155,816) | (| 267,389) | (| 296,834) | (| 375,719) | | - |
| Nonspendable: | | | | | | | | | | | | | | | | | | | | |
| Note receivable | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 212,025 |
| Restricted: | | | | | | | | | | | | | | | | | | | | |
| Debt service | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 1,450,009 |
| Street improvements | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 9,080,205 |
| Public safety | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 679,910 |
| Economic development | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 558,547 |
| Culture and recreation | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 617 |
| Capital projects | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 1,327,888 |
| Committed: | | | | | | | | | | | | | | | | | | | | |
| Public health | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 18,323 |
| Development | | - | | - | | - | | - | | - | | - | | - | | - | | - | | 150,081 |
| Assigned: | | | | | | | | | | | | | | | | | | | | |
| Street improvements | _ | <u> </u> | _ | <u> </u> | _ | | _ | <u>-</u> | _ | | | <u> </u> | _ | <u>-</u> | _ | <u> </u> | _ | - | | 1,387,953 |
| Total all other | | | | | | | | | | | | | | | | | | | | |
| governmental funds | \$ | 10,559,600 | \$ | 7,798,704 | \$ | 8,664,063 | \$ | 13,653,963 | \$ | 18,568,187 | \$ | 28,296,206 | \$ | 21,763,417 | \$ | 20,985,519 | \$ | 17,696,909 | \$ | 14,865,558 |

Note: The City implemented GASB Statement No. 54 in fiscal year 2011.

CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS (MODIFIED ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED) LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | |
|------------------------------|---------------|---------------|---------------|-----------------------------------------|--|--|
| | 2002 | 2003 | 2004 | 2005 | | |
| | | | | | | |
| REVENUES | . | h | | * • • • • • • • • • • • • • • • • • • • | | |
| Taxes | \$ 20,589,037 | \$ 22,391,270 | \$ 23,860,427 | \$ 24,817,538 | | |
| Assessments | 174,509 | 163,200 | 182,124 | 144,900 | | |
| Charges for services | 1,255,662 | 1,019,276 | 1,107,287 | 1,487,348 | | |
| Recreation | 313,623 | 208,516 | 190,640 | 239,278 | | |
| Licenses and permits | 724,190 | 835,895 | 1,118,793 | 1,176,461 | | |
| Fines and forfeitures | 794,057 | 786,313 | 917,481 | 1,011,588 | | |
| Interest | 439,359 | 227,095 | 175,044 | 523,957 | | |
| Intergovernmental | 518,794 | 724,580 | 573,336 | 991,055 | | |
| Administrative | 1,481,187 | 1,487,826 | 1,487,825 | 1,487,825 | | |
| Other | 419,546 | 428,059 | 886,443 | 858,620 | | |
| Total revenues | 26,709,964 | 28,272,030 | 30,499,400 | 32,738,570 | | |
| EXPENDITURES | | | | | | |
| General government | 764,600 | 897,156 | 1,900,330 | 2,103,346 | | |
| Public safety | 10,295,474 | 11,198,826 | 11,945,163 | 12,631,637 | | |
| Development services | 3,026,773 | 2,850,195 | 3,453,256 | 3,355,538 | | |
| Parks and leisure services | - | 1,818,675 | 2,239,495 | 2,508,218 | | |
| Library services | - | 750,465 | 674,788 | 674,453 | | |
| Management services | 962,545 | 1,799,522 | - | - | | |
| Community services | 2,457,210 | - | - | - | | |
| Fiscal and human resources | - | - | - | - | | |
| Code services | 800,056 | - | - | - | | |
| Nondepartmental | 655,299 | 963,022 | 481,358 | 867,069 | | |
| Human resources | 249,465 | 211,749 | 260,322 | 314,769 | | |
| Financial services | 937,784 | 957,101 | 1,183,734 | 1,229,697 | | |
| Information technology | 467,447 | 497,859 | 475,104 | 490,368 | | |
| Capital outlay | 11,230,420 | 5,307,680 | 4,939,559 | 6,113,105 | | |
| Debt service | | | | | | |
| Principal | 2,008,520 | 2,430,000 | 2,665,000 | 3,065,000 | | |
| Interest and service charges | 2,585,227 | 2,965,131 | 2,708,732 | 2,653,315 | | |
| Total expenditures | 36,440,820 | 32,647,381 | 32,926,841 | 36,006,515 | | |

| | Fiscal Year | | | | | | | | | | |
|----|-------------|----|------------|-----------|------------|----|------------|----|------------|----|------------|
| | 2006 | | 2007 | 2007 2008 | | | 2009 | | 2010 | | 2011 |
| | _ | | | | | | | | | | |
| \$ | 27,492,407 | \$ | 29,326,330 | \$ | 31,567,635 | \$ | 30,365,197 | \$ | 29,908,440 | \$ | 30,175,453 |
| | 254,725 | | 73,875 | | 23,400 | | - | | - | | - |
| | 1,766,040 | | 1,819,581 | | 2,095,110 | | 1,634,730 | | 1,627,574 | | 1,696,669 |
| | 243,027 | | 229,686 | | 227,719 | | 860,012 | | 748,192 | | 820,760 |
| | 1,040,754 | | 1,174,424 | | 721,068 | | 644,884 | | 732,293 | | 795,377 |
| | 1,110,188 | | 1,153,583 | | 1,074,968 | | 984,317 | | 1,096,452 | | 1,054,477 |
| | 1,259,291 | | 1,857,677 | | 1,434,605 | | 314,323 | | 76,403 | | 83,020 |
| | 1,338,761 | | 900,669 | | 844,407 | | 1,112,257 | | 1,297,146 | | 1,278,510 |
| | 1,487,825 | | 1,546,945 | | 1,546,945 | | - | | - | | - |
| _ | 1,603,733 | | 615,677 | _ | 662,003 | | 710,354 | | 535,208 | _ | 257,910 |
| | 37,596,751 | | 38,698,447 | | 40,197,860 | | 36,626,074 | | 36,021,708 | | 36,162,176 |
| _ | | • | | - | | - | | _ | | _ | |
| | 2 40 6 010 | | 2 502 152 | | 2 224 202 | | 1 270 000 | | 1 071 001 | | 2 (22 419 |
| | 2,406,010 | | 3,583,153 | | 2,334,303 | | 1,279,890 | | 1,961,081 | | 2,622,418 |
| | 13,351,862 | | 14,499,761 | | 14,387,972 | | 16,117,852 | | 16,653,927 | | 16,981,677 |
| | 3,508,849 | | 3,917,629 | | 3,856,422 | | 3,521,060 | | 3,551,797 | | 3,340,924 |
| | 3,555,902 | | 2,951,319 | | 3,166,879 | | 2,913,823 | | 3,234,926 | | 3,186,277 |
| | 731,986 | | 814,602 | | 870,217 | | 889,791 | | 935,633 | | 879,457 |
| | - | | - | | - | | - | | - | | - |
| | - | | - | | _ | | - | | - | | _ |
| | - | | - | | - | | - | | - | | - |
| | 958,652 | | 1,053,341 | | 2,933,840 | | 1,358,466 | | 2,067,520 | | 1,288,744 |
| | 309,404 | | 334,416 | | 347,323 | | 195,881 | | 167,715 | | 140,181 |
| | 1,199,965 | | 1,183,605 | | 1,241,631 | | 713,569 | | 778,779 | | 727,046 |
| | 528,544 | | 570,323 | | 582,721 | | 312,204 | | 284,355 | | 293,953 |
| | 7,687,797 | | 9,380,677 | | 15,089,860 | | 9,203,386 | | 4,362,868 | | 3,755,708 |
| | 7,007,777 | | 7,300,077 | | 13,007,000 | | 7,203,300 | | 1,502,000 | | 3,733,700 |
| | 3,674,198 | | 4,185,487 | | 4,176,776 | | 4,531,913 | | 4,140,141 | | 4,641,948 |
| | 3,492,404 | | 3,861,639 | | 4,069,494 | | 3,922,904 | | 3,527,769 | | 3,602,843 |
| _ | 41,405,573 | | 46,335,952 | _ | 53,057,438 | | 44,960,739 | _ | 41,666,511 | _ | 41,461,176 |

(continued)

CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS (MODIFIED ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

(Continued) LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | |
|-----------------------------------|------------------------|------------------------|----------------|------------------------|--|--|--|
| | 2002 | 2003 | 2004 | 2005 | | | |
| EXCESS OF REVENUES | | | | | | | |
| OVER (UNDER) | | | | | | | |
| EXPENDITURES | \$ <u>(9,730,856)</u> | \$ <u>(4,375,351)</u> | \$(2,427,441) | \$ <u>(3,267,945)</u> | | | |
| OTHER FINANCING | | | | | | | |
| SOURCES (USES) | | | | | | | |
| Issuance of long-term debt | 6,816,550 | 10,926,910 | 4,473,429 | 29,925,222 | | | |
| Other financial sources (uses) | - | 239,740 | 24,981 | 1,623,874 | | | |
| Payment to refunding escrow agent | - | (10,165,000) | (1,305,298) | (22,563,874) | | | |
| Transfers in | 1,502,766 | 1,734,655 | 4,814,323 | 3,559,037 | | | |
| Transfers out | (1,100,698) | (1,200,665) | (4,218,259) | (2,986,854) | | | |
| Total other financing | | | | | | | |
| sources (uses) | 7,218,618 | 1,535,640 | 3,789,176 | 9,557,405 | | | |
| NET CHANGE IN | | | | | | | |
| FUND BALANCES | (2,512,238) | (2,839,711) | 1,361,735 | 6,289,460 | | | |
| FUND BALANCES, BEGINNING | 17,878,301 | 15,366,063 | 12,526,349 | 13,888,084 | | | |
| PRIOR PERIOD ADJUSTMENT | | | | | | | |
| FUND BALANCES, ENDING | \$ 15,366,063 | \$ <u>12,526,352</u> | \$ 13,888,084 | \$ 20,177,544 | | | |
| DEBT SERVICE AS | | | | | | | |
| A PERCENTAGE | | | | | | | |
| OF NONCAPITAL | | | | | | | |
| EXPENDITURES | 18.2% | <u>19.7</u> % | 19.2% | 19.1% | | | |

| Fiscal | Year |
|--------|------|
| | |

| | Fiscal Year | | | | | | | | | | | |
|-------------------------------------------------------|--------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------------------------|--|--|--|--|--|--|--|
| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | | | | | | | |
| \$(3,808,822) | \$ <u>(7,637,505)</u> | \$ <u>(12,859,578</u>) | \$ <u>(8,334,665)</u> | \$ <u>(</u> 5,644,803) | \$(5,299,000) | | | | | | | |
| 7,815,000 5,769,465 (4,281,500) 9,302,965 | 15,510,000 30,273 - 6,988,814 (| 5,690,000 29,005 - 5,368,659 (| 14,105,000 510,352 (8,281,298) 5,695,409 (4,416,856) 7,612,607 | 755,000 130,802 (724,621) 7,396,548 (5,627,496) 1,930,233 | 3,314,406 189,967 (1,338,613) 2,981,635 (1,330,465) 3,816,930 | | | | | | | |
| 5,494,143 20,177,544 - \$\frac{25,671,687}{} | 9,610,853 25,671,687 (171,477) \$ 35,111,063 | (6,447,174) 35,111,063 - * 28,663,889 | (722,058) 28,663,889 655,482 \$ 28,597,313 | (3,714,570) 28,597,313 | (1,482,070) 24,882,743 - \$\frac{23,400,673}{} | | | | | | | |
| 21.3% | 21.8% | <u>21.7</u> % | 23.6% | 20.5% | 22.0% | | | | | | | |

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE (MODIFIED ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

LAST TEN FISCAL YEARS

| | | | | | | | Hotel | | |
|--------|-----|------------|-----|-----------|-----------------|---|-----------|---|------------------|
| Fiscal | | Property | | Sales | Franchise | | Occupancy | | |
| Year | • • | | Tax | | Tax | | Tax | | Total |
| | | _ | | | | | | - | |
| 2002 | \$ | 13,234,187 | \$ | 4,502,347 | \$ 2,586,648 | 9 | 265,855 | | \$ 20,589,037 |
| 2003 | | 14,437,069 | | 4,449,567 | 3,260,547 | | 244,087 | | 22,391,270 |
| 2004 | | 15,971,951 | | 4,479,320 | 3,182,732 | | 226,424 | | 23,860,427 |
| 2005 | | 16,822,584 | | 4,499,908 | 3,250,555 | | 244,491 | | 24,817,538 |
| 2006 | | 18,715,056 | | 4,680,468 | 3,848,098 | | 248,785 | | 27,492,407 |
| 2007 | | 20,358,281 | | 5,314,550 | 3,394,651 | | 258,848 | | 29,326,330 |
| 2008 | | 22,031,974 | | 5,802,926 | 3,336,906 | | 395,829 | | 31,567,635 |
| 2009 | | 21,774,805 | | 5,056,041 | 3,129,287 | | 405,064 | | 30,365,197 |
| 2010 | | 20,972,154 | | 5,532,796 | 2,794,521 | | 575,384 | | 29,874,855 |
| 2011 | | 21,133,064 | | 5,409,524 | 2,998,791 | | 597,292 | | 30,138,671 |

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)

LAST TEN FISCAL YEARS

| Fiscal Year | | | Personal Property Assessed Value | | | Total Assessed Value | Total Direct Tax Rate | | |
|----------------|----|---------------|----------------------------------|-------------|----|----------------------------|-----------------------|-------|--|
| 2002 | \$ | 1,811,147,280 | \$ | 352,250,350 | \$ | 2,163,397,630 | \$ | 0.636 | |
| 2003 | | 1,900,562,860 | | 342,966,010 | | 2,243,528,870 | | 0.659 | |
| 2004 | | 2,146,953,330 | | 309,732,550 | | 2,456,685,880 | | 0.659 | |
| 2005 | | 2,357,730,310 | | 308,085,090 | | 2,665,815,400 | | 0.685 | |
| 2006 | | 2,517,430,840 | | 298,440,930 | | 2,815,871,770 | | 0.698 | |
| 2007 | | 2,683,144,134 | | 276,411,696 | | 2,959,555,830 | | 0.710 | |
| 2008 | | 2,667,601,748 | | 396,884,124 | | 3,064,485,872 | | 0.700 | |
| 2009 | | 2,540,797,154 | | 397,930,090 | | 2,938,727,244 | | 0.700 | |
| 2010 | | 2,618,725,080 | | 426,359,160 | | 3,045,084,240 | | 0.700 | |
| 2011 | | 2,614,231,350 | | 430,596,100 | | 3,044,827,450 | | 0.735 | |

Assessed values are established by the Dallas Central Appraisal District on the basis of 100% of appraised values.

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS PER \$100 ASSESSED VALUE) (UNAUDITED) LAST TEN FISCAL YEARS

| Fiscal Year | General Fund | Debt Service Fund | Total | Dallas County | Dallas County Hospital | Dallas County Community College | Total City, County, Hospital and College | |
|----------------|-----------------|-------------------------|----------|------------------|------------------------------|---------------------------------|------------------------------------------|--|
| 2002 | \$ 0.453 | \$ 0.183 | \$ 0.636 | \$ 0.196 | \$ 0.254 | \$ 0.060 | \$ 1.146 | |
| 2003 | 0.453 | 0.206 | 0.659 | 0.209 | 0.254 | 0.078 | 1.200 | |
| 2004 | 0.466 | 0.193 | 0.659 | 0.209 | 0.254 | 0.078 | 1.200 | |
| 2005 | 0.476 | 0.209 | 0.685 | 0.214 | 0.254 | 0.082 | 1.235 | |
| 2006 | 0.486 | 0.212 | 0.698 | 0.219 | 0.254 | 0.081 | 1.252 | |
| 2007 | 0.486 | 0.224 | 0.570 | 0.233 | 0.254 | 0.080 | 1.137 | |
| 2008 | 0.486 | 0.214 | 0.570 | 0.233 | 0.254 | 0.089 | 1.146 | |
| 2009 | 0.496 | 0.204 | 0.700 | 0.233 | 0.274 | 0.098 | 1.305 | |
| 2010 | 0.496 | 0.204 | 0.700 | 0.620 | 0.271 | 0.099 | 1.690 | |
| 2011 | 0.505 | 0.230 | 0.735 | 0.253 | 0.271 | 0.100 | 1.359 | |
| 2011 | 0.505 | 0.230 | 0.733 | 0.233 | 0.271 | 0.100 | 1.55 | |

Note: Tax rate is at 100% of market value

| I | DeSoto ISD | Count Col | tal City, y, Hospital, lege and Soto ISD | Dallas ISD | | Coun Co | otal City, ty, Hospital, llege and allas ISD | Duncanville ISD | | Total City, County, Hospital, College and Duncanville ISD | |
|----|---------------|--------------|---------------------------------------------------|---------------|-------|------------|-------------------------------------------------------|--------------------|-------|-----------------------------------------------------------|-------|
| \$ | 1.680 | \$ | 2.826 | \$ | 1.587 | \$ | 2.733 | \$ | 1.750 | \$ | 2.896 |
| | 1.710 | | 2.910 | | 1.640 | | 2.840 | | 1.855 | | 3.055 |
| | 1.710 | | 2.910 | | 1.640 | | 2.840 | | 1.855 | | 3.055 |
| | 1.790 | | 3.025 | | 1.688 | | 2.923 | | 1.866 | | 3.101 |
| | 1.760 | | 3.012 | | 1.503 | | 2.755 | | 1.736 | | 2.988 |
| | 1.490 | | 2.627 | | 1.250 | | 2.387 | | 1.418 | | 2.555 |
| | 1.510 | | 2.656 | | 1.183 | | 2.329 | | 1.418 | | 2.564 |
| | 1.490 | | 2.795 | | 1.271 | | 2.576 | | 1.418 | | 2.723 |
| | 1.490 | | 3.180 | | 1.240 | | 2.930 | | 1.420 | | 3.110 |
| | 1.440 | | 2.799 | | 1.290 | | 2.649 | | 1.418 | | 2.777 |

PRINCIPAL TAXPAYERS (UNAUDITED) CURRENT YEAR AND NINE YEARS AGO

| | | | 20 | 011 | | | | 2 | 2002 | |
|---------------------------------|-----|--------------------------------------|------------------|------|------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------|------|------------------------------------------------------------|-------------------------------------------------------------------|
| Taxpayer | _ | Taxable Assessed Valuation (2) | Type of Business | Rank | Percentage of Total Taxable Assessed Valuation | Percentage of Top Ten Taxpayers to Assessed Valuation | Taxable Assessed Valuation (1) | Rank | Percentage of Total Taxable Assessed Valuation | Percentage of Top Ten Taxpayers to Assessed Valuation |
| Solar Tubines, Inc. | \$ | 140,989,040 | Manufacturing | 1 | 4.63% | 37.85% | \$ 101,405,210 | 1 | 4.52% | 34.07% |
| McGraw Hill/School | | 83,008,530 | Manufacturing | 2 | 2.73% | 22.29% | 95,265,480 | 2 | 4.25% | 32.01% |
| WalMart Stores Texas LP | | 34,003,270 | Retail/Warehouse | 3 | 1.12% | 9.13% | - | | - % | - % |
| Oncor Electric Delivery | | 23,301,470 | Public Utility | 4 | 0.77% | 6.26% | - | | - % | - % |
| Cintas Corporation | | 19,285,510 | Retail/Uniforms | 5 | 0.63% | 5.18% | - | | - % | - % |
| DeSoto Apartments, LTD | | 15,975,000 | Apartments | 6 | 0.52% | 4.29% | - | | - % | - % |
| DeSoto Ridge Apartments LTD | | 14,212,730 | Apartments | 7 | 0.47% | 3.82% | - | | - % | - % |
| Shaw Feddern LP | | 14,180,430 | Shopping Center | 8 | 0.47% | 3.81% | - | | - % | - % |
| Maclay Carlin DeSoto LTD | | 13,973,220 | Shopping Center | 9 | 0.46% | 3.75% | 9,448,970 | 8 | 0.42% | 3.17% |
| WRH Properties/Mt. Vernon, Inc. | | 13,526,680 | Apartments | 10 | 0.44% | 3.62% | 13,405,640 | 5 | 0.60% | 4.50% |
| Diab LP | | - | Manufacturing | | - % | - % | 8,237,110 | 10 | 0.37% | 2.76% |
| Texas Utilities Electric Co. | | - | Utility | | - % | - % | 19,768,630 | 3 | 0.88% | 6.64% |
| Albertson, Inc. | | - | Retail | | - % | - % | 12,751,380 | 6 | 0.57% | 4.28% |
| Southwestern Bell Telephone | | - | Utility | | - % | - % | 10,910,920 | 7 | 0.49% | 3.67% |
| East Wells III Inc. | | - | Investments | | - % | - % | 17,964,490 | 4 | 0.80% | 6.04% |
| Dallas Wholesale Builder Supply | _ | - | Investments | | % | - % | 8,500,000 | 9 | 0.38% | 2.86% |
| Total | \$_ | 372,455,880 | Total | | 12.24% | 100.00% | \$ 297,657,830 | | 13.28% | 100.00% |

⁽¹⁾ Source - DeSoto Joint tax office

⁽²⁾ Source - Dallas County tax office

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED) LAST TEN FISCAL YEARS

| | | Collected V | With the | | | | | | |
|------------|---------------|---------------|------------|-------------|------------|---------------------------|------------|--|--|
| | Total Tax | Fiscal Year o | f the Levy | Collections | | Total Collections to Date | | | |
| Fiscal | Levied for | | Percentage | in S | Subsequent | | Percentage | | |
| Year Ended | Fiscal Year | Amount | of Levy | | Years | Amount | of Levy | | |
| | | | | | | | | | |
| 2002 | \$ 11,267,838 | \$ 10,840,787 | 96.21% | \$ | 262,003 | \$ 11,102,790 | 98.54% | | |
| 2003 | 12,802,356 | 12,331,229 | 96.32% | | 286,974 | 12,618,203 | 98.56% | | |
| 2004 | 13,899,107 | 13,635,024 | 98.10% | | 257,292 | 13,892,316 | 99.95% | | |
| 2005 | 16,698,546 | 15,705,410 | 94.05% | | 607,320 | 16,312,730 | 97.69% | | |
| 2006 | 16,535,406 | 15,993,668 | 96.72% | | 369,744 | 16,363,412 | 98.96% | | |
| 2007 | 19,915,679 | 19,114,409 | 95.98% | | 578,349 | 19,692,758 | 98.88% | | |
| 2008 | 21,395,308 | 20,702,532 | 96.76% | | 400,308 | 21,102,840 | 98.63% | | |
| 2009 | 21,379,787 | 20,812,339 | 97.35% | | 296,735 | 21,109,074 | 98.73% | | |
| 2010 | 20,746,013 | 20,277,877 | 97.74% | | 362,412 | 20,640,289 | 99.49% | | |
| 2011 | 20,692,471 | 20,623,565 | 99.67% | | - | 20,623,565 | 99.67% | | |

Sources: City of DeSoto Joint Tax office and Dallas County tax office

RATIOS OF OUTSTANDING DEBT BY TYPE (UNAUDITED) LAST NINE FISCAL YEARS

| | Governmental Activities | | | | Business-type Activities | | | | | | | | | | | |
|----------------|-------------------------|--------------------------------|----|----------------------------|--------------------------|----|-------------------|----|--------------------------------|----|---------------------------|------------------------------------|------|------------------------------|----|----------------|
| Fiscal Year | | General Obligation Bonds | | Certificates of Obligation | Notes Payable | | Capital Leases | | General Obligation Bonds | | Certificates f Obligation | Total Primary Government | of I | centage Personal come* | _(| Per Capita* |
| 2003 | \$ | 42,719,247 | \$ | 18,420,792 | \$ - | \$ | - | \$ | 2,160,000 | \$ | 2,030,000 | \$ 65,330,039 | | - | \$ | 1,557 |
| 2004 | | 44,680,737 | | 17,250,102 | - | | - | | 1,305,000 | | 3,030,000 | 66,265,839 | | - | | 1,545 |
| 2005 | | 54,617,226 | | 11,408,460 | 2,045,222 | | 749,921 | | 395,000 | | 4,460,000 | 73,675,829 | | - | | 1,619 |
| 2006 | | 58,923,028 | | 11,243,460 | 1,855,989 | | 634,262 | | - | | 5,350,000 | 78,006,739 | | - | | 1,656 |
| 2007 | | 61,948,256 | | 19,848,460 | 1,671,789 | | 512,747 | | - | | 5,140,000 | 89,121,252 | | 6.98% | | 1,872 |
| 2008 | | 63,703,255 | | 19,923,459 | 1,482,689 | | 385,071 | | - | | 4,920,000 | 90,414,474 | | 6.58% | | 1,868 |
| 2009 | | 61,401,561 | | 22,478,459 | 1,291,852 | | 290,796 | | 1,376,694 | | 8,500,000 | 95,339,362 | | 7.28% | | 1,958 |
| 2010 | | 59,120,223 | | 21,250,000 | 1,095,105 | | 188,241 | | 1,212,833 | | 13,125,000 | 95,991,402 | | 6.52% | | 1,986 |
| 2011 | | 55,373,650 | | 21,995,000 | 892,040 | | 518,768 | | 1,326,351 | | 15,680,000 | 95,785,809 | | 6.91% | | 1,953 |

Notes: Data compiled from the City's first implementation year as required by GASB - FY 2003.

Personal income data unavailable prior to fiscal year 2007.

^{*} See table 15 for personal income and population data.

RATIOS OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA (UNAUDITED) LAST TEN FISCAL YEARS

| Fiscal Year | Population | Assessed Value (1) | Total Bonded Debt (2) | Debt Services Monies Available | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|----------------|------------|--------------------|-----------------------------|-----------------------------------------|--------------------|--------------------------------------------------------|----------------------------------------|
| 2002 | 39,300 | \$ 2,163,397,630 | \$ 66,562,217 | \$ 1,339,373 | \$ 65,222,844 | 3.01% | \$ 1,660 |
| 2003 | 41,108 | 2,243,528,870 | 65,330,039 | 1,336,617 | 63,993,422 | 2.85% | 1,557 |
| 2004 | 42,894 | 2,456,685,880 | 66,265,839 | 1,312,086 | 64,953,753 | 2.64% | 1,514 |
| 2005 | 45,514 | 2,665,815,400 | 70,880,686 | 1,244,114 | 69,636,572 | 2.61% | 1,530 |
| 2006 | 47,109 | 2,815,871,770 | 75,516,488 | 1,323,212 | 74,193,276 | 2.63% | 1,575 |
| 2007 | 47,600 | 2,959,555,830 | 89,121,252 | 1,720,235 | 87,401,017 | 2.95% | 1,836 |
| 2008 | 48,391 | 3,064,485,872 | 90,414,474 | 2,254,215 | 88,160,259 | 2.88% | 1,822 |
| 2009 | 48,700 | 2,938,727,244 | 95,339,362 | 1,831,987 | 93,507,375 | 3.18% | 1,920 |
| 2010 | 48,322 | 3,045,084,240 | 95,991,402 | 2,159,684 | 93,831,718 | 3.08% | 1,942 |
| 2011 | 49,047 | 3,044,827,450 | 94,375,001 | 1,450,009 | 92,924,992 | 3.05% | 1,895 |

Notes:

- (1) Beginning 1992, assessed values are determined by the Dallas Central Appraisal District.
- (2) Includes all long-term certificates of obligation and general obligation debt.

COMPUTATION OF DIRECT AND OVERLAPPING DEBT (UNAUDITED) SEPTEMBER 30, 2011

| Taxing Jurisdiction | Total Tax Supported Debt (1) | Percentage Applicable | Overlapping Debt |
|---------------------------------------------------------------------------|------------------------------|-----------------------|---------------------|
| City of DeSoto | \$94,375,001 | 100.00% | \$ 94,375,001 |
| Overlapping Debt DeSoto Independent School District | 141,236,131 | 85.30% | 120,474,420 |
| Dallas County | 121,176,552 | 1.80% | 2,181,178 |
| Dallas Independent School District | 2,654,955,000 | 0.54% | 14,336,757 |
| Dallas County Community College District | 416,040,000 | 1.80% | 7,488,720 |
| Dallas County Hospital District | 705,000,000 | 1.80% | 12,690,000 |
| Duncanville Independent School District | 160,804,100 | 7.41% | 11,915,584 |
| Subtotal overlapping debt | 4,199,211,783 | | 169,086,658 |
| Total direct and overlapping debt | \$ 4,293,586,784 | | \$ 263,461,659 |
| Ratio of direct and overlapping bonded debt to taxable assessed valuation | | | 9.39% |
| Per capita direct and overlapping bonded debt | | | \$ 5,417 |

Source: First Southwest Company

⁽¹⁾ Includes general obligation bonds and certificates of obligation.

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED) FOR THE YEAR ENDED SEPTEMBER 30, 2011

| Net Assessed Value | | | \$ | 2,795,486,741 |
|-----------------------------------------------------------------------|----|------------|----|---------------|
| Plus: Exempt Property | | | _ | 249,430,709 |
| Total Assessed Value | | | _ | 3,044,917,450 |
| Debt limit - (10%) of total assessed value | | | | 304,491,745 |
| Less: amount of debt applicable to debt limit: | | | | |
| Total bonded debt (including special assessment bonds) | \$ | 94,375,001 | | |
| Less: assets in debt service funds available for payment of principal | _ | 1,450,009 | _ | 92,924,992 |
| Legal Debt Margin | | | \$ | 211,566,753 |

DEMOGRAPHIC STATISTICS (UNAUDITED) LAST TEN FISCAL YEARS

| Fiscal Year | Population | Estimated Median Family Household Income (1) | Personal Income* (2) | Per Capita Personal Income* | Median Age | Education Level in Years of Formal Schooling | School Enrollment (3) | Unemployment Rate (4) |
|----------------|------------|-------------------------------------------------------|-------------------------|-----------------------------------|---------------|----------------------------------------------|-----------------------------|--------------------------|
| 2002 | 39,300 | \$ 78,511 | - | - | 34 | High School + 2 yrs. | 6,806 | 4.8% |
| 2003 | 41,108 | 76,359 | - | - | 37 | High School + 2 yrs. | 6,806 | 4.8% |
| 2004 | 42,894 | 69,892 | - | - | 36 | High School + 2 yrs. | 7,299 | 5.9% |
| 2005 | 45,514 | 77,844 | - | - | 36 | High School + 2 yrs. | 7,915 | 5.7% |
| 2006 | 47,109 | 72,726 | - | - | 36 | High School + 2 yrs. | 7,898 | 5.5% |
| 2007 | 47,600 | 62,960 | 1,277,489 | 27 | 37 | High School + 2 yrs. | 8,700 | 3.0% |
| 2008 | 48,391 | 62,960 | 1,373,095 | 28 | 37 | High School + 2 yrs. | 8,884 | 6.2% |
| 2009 | 48,700 | 78,020 | 1,308,764 | 27 | 37 | High School + 2 yrs. | 9,063 | 6.7% |
| 2010 | 48,322 | 75,488 | 1,472,710 | 30 | 37 | High School + 2 yrs. | 9,020 | 8.2% |
| 2011 | 49,047 | 78,020 | 1,499,806 | 30 | 38 | High School + 2 yrs. | 8,995 | 3.0% |

Sources:

- (1) DeSoto Economic Development Corporation (Claritas)
- (2) US Census Bureau
- (3) DeSoto Independent School District
- (4) Texas Workforce Commission

Note: *Amount presented in thousands of dollars

Personal income data is unavailable prior to fiscal year 2007.

PRINCIPAL EMPLOYERS (UNAUDITED) CURRENT AND NINE YEARS AGO

| | | 2011 | | | 2002 | |
|-----------------------|-----------|------|---------------|-------------|------|---------------|
| | | | Percentage | | | Percentage |
| | | | of Total City | | | of Total City |
| Employer | Employees | Rank | Employment | Employees | Rank | Employment |
| D 0 . 10D | 024 | | 2.700/ | 77 0 | | 2.600/ |
| DeSoto ISD | 924 | 1 | 3.70% | 778 | 1 | 3.60% |
| City of DeSoto | 356 | 2 | 1.42% | 313 | 2 | 1.45% |
| DIAB | 325 | 3 | 1.30% | 200 | 4 | 0.93% |
| Solar Turbines | 300 | 4 | 1.20% | 214 | 3 | 0.99% |
| Marten Transport | 300 | 5 | 1.20% | - | | - % |
| WalMart Districution | 240 | 6 | 0.96% | - | | - % |
| Williamsburg Village | 210 | 7 | 0.84% | - | | - % |
| McGraw-Hill | 155 | 8 | 0.62% | 140 | 6 | 0.65% |
| Tom Thumb | 150 | 9 | 0.60% | 150 | 5 | 0.69% |
| Albertson's | 126 | 10 | 0.50% | 126 | 7 | 0.58% |
| Winn-Dixie | - | | - % | 125 | 8 | 0.58% |
| Kroger | - | | - % | 125 | 9 | 0.58% |
| DW Distribution, Inc. | | | % | 124 | 10 | 0.57% |
| | 3,086 | | 12.34% | 2,295 | | 10.62% |

Source: DeSoto, Texas - Community Profile provided by DEDC.



FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (UNAUDITED)

LAST NINE FISCAL YEARS

| | | | | | Fiscal Year | | | | |
|----------------------------|------|------|------|------|-------------|------|------|------|------|
| Function | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| | | | | | | | | | |
| General government | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Public safety | 174 | 176 | 185 | 191 | 197 | 196 | 197 | 199 | 200 |
| Development services | 32 | 29 | 27 | 28 | 26 | 24 | 24 | 24 | 25 |
| Parks and leisure services | 35 | 35 | 34 | 34 | 27 | 26 | 26 | 27 | 28 |
| Finance | 16 | 13 | 14 | 14 | 12 | 11 | 11 | 10 | 10 |
| Library | 11 | 11 | 11 | 11 | 7 | 7 | 7 | 7 | 12 |
| Human resources | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Information technology | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Water and sewer | 25 | 24 | 24 | 24 | 27 | 26 | 26 | 26 | 26 |
| Drainage | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sanitation | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

Source: City of DeSoto Human Resource Department

Note: Data compiled from the City's first implementation year as required by GASB - FY 2003.

OPERATING INDICATORS BY FUNCTION (UNAUDITED)

LAST NINE FISCAL YEARS

Fiscal Year

| | | Fiscal Y | rear | |
|-------------------------------------------------|--------|----------|--------|--------|
| Function | 2003 | 2004 | 2005 | 2006 |
| General government | | | | |
| Number of public information requests processed | 35 | 35 | 55 | 55 |
| Public safety | | | | |
| Number of youth outreach programs held | 34 | 39 | 53 | 40 |
| Number of senior citizen symposiums held | 12 | 8 | 44 | 8 |
| Number of citizen police academics per year | 3 | 2 | 3 | 2 |
| Fire code inspections completed | 412 | 479 | 466 | 445 |
| Development services | | | | |
| Traffic signal inspections | 192 | 194 | 194 | 168 |
| Parks and leisure services | | | | |
| Total fitness facility memberships | 3,839 | 3,125 | 4,325 | 4,342 |
| Total swimming pool attendance | 18,873 | 15,266 | 18,873 | 15,306 |
| Library | | | | |
| Total children's' story time programs | 31 | 32 | 43 | 47 |
| Human resources | | | | |
| Number of salary surveys completed | 8 | 8 | 8 | 14 |
| Finance | | | | |
| Municipal court cases filed | 12,567 | 13,427 | 13,399 | 12,923 |
| Information technology | | | | |
| Number of City computers replaced annually | 43 | 43 | 49 | 67 |
| Water and sewer | | | | |
| Number of touch read meters changed out | 1,413 | 748 | 865 | 900 |
| Number of meters read monthly | 13,340 | 13,994 | 14,100 | 14,700 |
| Drainage | | | | |
| Number of easements acquired for | | | | |
| project construction | 7 | 5 | 4 | 4 |
| Sanitation | | | | |
| Number of existing intersection | | | | |
| landscapes renovated annually | 1 | 1 | 1 | 1 |

Source: Information provided by the head of each department.

Note: Data compiled from the City's first implementation year as required by GASB - FY 2003.

| Fiscal | Veat |
|--------|-------|
| riscai | 1 cai |

| riscai Teal | | | | | | | | | | | | |
|-------------|--------|--------|--------|--------|--|--|--|--|--|--|--|--|
| 2007 | 2008 | 2009 | 2010 | 2011 | | | | | | | | |
| | | | | | | | | | | | | |
| 75 | 75 | 2,018 | 86 | 2,023 | | | | | | | | |
| | | | | | | | | | | | | |
| 40 | 21 | 10 | 11 | 10 | | | | | | | | |
| 10 | 7 | 1 | 1 | 1 | | | | | | | | |
| 2 | 2 | 1 | 2 | 1 | | | | | | | | |
| 450 | 432 | 423 | 978 | 835 | | | | | | | | |
| 168 | 192 | 204 | 85 | 68 | | | | | | | | |
| | | | | | | | | | | | | |
| 5,493 | 6,025 | 6,405 | 5,780 | 4,861 | | | | | | | | |
| - | 17,830 | 16,887 | 15,648 | 17,148 | | | | | | | | |
| | | | | | | | | | | | | |
| 35 | 33 | 98 | 32 | 53 | | | | | | | | |
| 8 | 14 | 5 | 5 | 4 | | | | | | | | |
| o | 14 | 3 | 3 | 4 | | | | | | | | |
| 14,271 | 14,117 | 11,342 | 12,106 | 10,499 | | | | | | | | |
| | | | | | | | | | | | | |
| 77 | 64 | 63 | 8 | 65 | | | | | | | | |
| | | | | | | | | | | | | |
| 1,500 | 354 | 629 | 1,189 | 1,338 | | | | | | | | |
| 15,250 | 15,489 | 15,748 | 15,879 | 16,008 | | | | | | | | |
| | | | | | | | | | | | | |
| 4 | _ | 5 | 1 | _ | | | | | | | | |
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |
| 1 | 1 | 2 | 3 | 4 | | | | | | | | |

CAPITAL ASSET STATISTICS BY FUNCTION (UNAUDITED) LAST NINE FISCAL YEARS

| Function | Fiscal Year | | | | | | | | |
|------------------------|-------------|-----------|-----------|-----------|-----------|-------------|--------------|--------------|--------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Public safety | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire stations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Development services | | | | | | | | | |
| Lane Miles of streets | 452 | 452 | 452 | 452 | 466 | 473 | 484 | 391 | 491 |
| Miles of alleys | 102 | 102 | 102 | 102 | 90 | 96 | 96 | 94 | 91 |
| Traffic signals | 14 | 14 | 14 | 14 | 15 | 16 | 17 | 17 | 17 |
| Parks and recreation | | | | | | | | | |
| Number of parks | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| Civic centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Theater playhouses | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Library | | | | | | | | | |
| Number of libraries | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water and sewer | | | | | | | | | |
| Water pumping capacity | 18 mg/day | 18 mg/day | 18 mg/day | 18 mg/day | 35 mg/day | 39.5 mg/day | 39.5 mg./day | 39.5 mg./day | 39.5 mg./day |
| Elevated water storage | 5 mg. | 5 mg. | 5 mg. | 5 mg. | 5 mg. | 5 mg. | 5 mg. | 5 mg. | 5 mg. |
| Ground storage | 13 mg. | 13 mg. | 13 mg. | 13 mg. | 13 mg. | 13 mg. | 13 mg. | 13 mg. | 13 mg. |
| = | _ | _ | _ | _ | _ | _ | _ | _ | _ |

Source: Information provided by the head of each department.

Note: Data compiled from the City's first implementation year as required by GASB - FY 2003.







REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the City of Council City of DeSoto, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of DeSoto, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City of DeSoto, Texas' basic financial statements and have issued our report thereon March 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of DeSoto, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of DeSoto, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of DeSoto, Texas' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies in internal control over financial reporting (Items 2011-1 and 2011-2). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

Patillo, Brown & Hill, L.L.P.

As part of obtaining reasonable assurance about whether the City of DeSoto's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

March 28, 2012

SCHEDULE OF FINDINGS AND RESPONSES

SEPTEMBER 30, 2011

Finding 2011-1:

Condition: Many of the decentralized functions of the City such as Parks and

Leisure, Municipal Court, and Utilities operate in systems that are manually interfaced with the City's accounting system. There are currently no standard procedures in place to ensure that the activity recorded in these decentralized functions is being properly recorded

in the City's general ledger.

<u>Criteria</u>: Reconciliation procedures are independent checks of the accounting

system to identify errors and misrepresentations. Reconciliations should take place after the fact, by an individual who is not directly involved with the transaction or task being verified. Through reconciliation procedures, management can assess the performance of individuals, the integrity of the transaction processing system, and the

correctness of the data contained in accounting records.

<u>Cause of Condition</u>: Internal controls are currently inadequate to ensure that the activity

recorded in these decentralized systems is reconciled to the activity

recorded in the City's general ledger.

Effect of Condition: A weak internal control structure can make it possible for errors or

other misrepresentations to go long periods of time without being

detected.

Recommendation: Controls need to be put in to place that will ensure that the activities

occurring at Parks and Leisure, Municipal Court, and Utilities are reconciled to the general ledger balance on at least a monthly basis with any differences investigated and corrected in a timely manner.

Management's Response: Management is aware of this condition and is currently in the process

of restructuring the various processes in these departments to be able

to reconcile the general ledger to their reporting systems.

Contact Person Responsible

for Corrective Action: Edena Atmore

Anticipated Completion Date: April 30, 2013

(continued)

SCHEDULE OF FINDINGS AND RESPONSES (Continued) SEPTEMBER 30, 2011

Finding 2011-2:

<u>Condition</u>: The payroll clerk is able to process payroll, print payroll checks, and

edit employee information such as pay rates in the system.

Criteria: An essential element of any preventative control system is to have

segregation of duties established in such a manner that no single individual could perpetrate an error and conceal it without it being

discovered on a timely basis.

Cause of Condition: There are inadequate controls over segregation of duties within the

payroll processing function.

Effect of Condition: There is a greater risk that errors or misappropriation could go

undetected for an extended period of time.

Recommendation: Access to modify pay rates and other employee information should be

limited to areas like Human Resources which are not involved in the processing of payroll. Additionally, reconciliation and review procedures should be put into place after payroll is processed to ensure that what was paid agrees to the underlying time records

entered by employees.

Management's Response: As of March 2012, the functions of the payroll clerk have been

separated. The editing of employee data is in the Human Resources Department and the processing of checks is in the Financial Services Department. Procedures and controls have been established, along

with backup procedures.

Contact Person Responsible

for Corrective Action: Edena Atmore

Anticipated Completion Date: March 30, 2012

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Finding 2010-1:

Condition: Many of the decentralized functions of the City such as Parks and

Leisure, Municipal Court, and Utilities operate in systems that are manually interfaced with the City's accounting system. There are currently no standard procedures in place to ensure that the activity recorded in these decentralized functions is being properly recorded

in the City's general ledger.

<u>Criteria</u>: Reconciliation procedures are independent checks of the accounting

system to identify errors and misrepresentations. Reconciliations should take place after the fact, by an individual who is not directly involved with the transaction or task being verified. Through reconciliation procedures, management can assess the performance of individuals, the integrity of the transaction processing system, and the

correctness of the data contained in accounting records.

<u>Cause of Condition</u>: Internal controls are currently inadequate to ensure that the activity

recorded in these decentralized systems is reconciled to the activity

recorded in the City's general ledger.

Effect of Condition: A weak internal control structure can make it possible for errors or

other misrepresentations to go long periods of time without being

detected.

<u>Recommendation</u>: Controls need to be put in to place that will ensure that the activities

occurring at Parks and Leisure, Municipal Court, and Utilities are reconciled to the general ledger balance on at least a monthly basis with any differences investigated and corrected in a timely manner.

Management's Response: Management is aware of this condition and is currently in the process

of restructuring the various processes in these departments to be able

to reconcile the general ledger to their reporting systems.

Contact Person Responsible

<u>for Corrective Action</u>: Edena Atmore

Anticipated Completion Date: September 30, 2011

<u>Current Status</u>: See current year comment at 2011-1.

(continued)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued) FOR THE YEAR ENDED SEPTEMBER 30, 2011

Finding 2010-2:

Condition: The payroll clerk is able to process payroll, print payroll checks, and

edit employee information such as pay rates in the system. Additionally, blank check stock is maintained in the payroll clerk's office in a locked cabinet, but the key to the cabinet is hung on the

wall inside the office.

<u>Criteria</u>: An essential element of any preventative control system is to have

segregation of duties established in such a manner that no single individual could perpetrate an error and conceal it without it being discovered on a timely basis. Additionally, the purpose of access controls is to ensure that only authorized personnel have access to the

City's assets.

<u>Cause of Condition</u>: There are inadequate controls over segregation of duties and access

controls within the payroll processing function.

Effect of Condition: There is a greater risk that errors or misappropriation could go

undetected for an extended period of time.

<u>Recommendation</u>: Access to modify pay rates and other employee information should be

limited to areas like Human Resources which are not involved in the processing of payroll. Additionally, reconciliation and review procedures should be put into place after payroll is processed to ensure that what was paid agrees to the underlying time records entered by employees. Finally, the City should increase the access controls over its blank check stock. The keys used to secure the check stock should be maintained by authorized personnel in a secure

location.

Management's Response: Management is aware of this condition and is now discussing with the

department the controls to be put in place that will increase our access

controls for payroll.

Contact Person Responsible

<u>for Corrective Action</u>: Andre Houser, Edena Atmore

Anticipated Completion Date: July 31, 2011

Current Status: See current year comment at 2011-2